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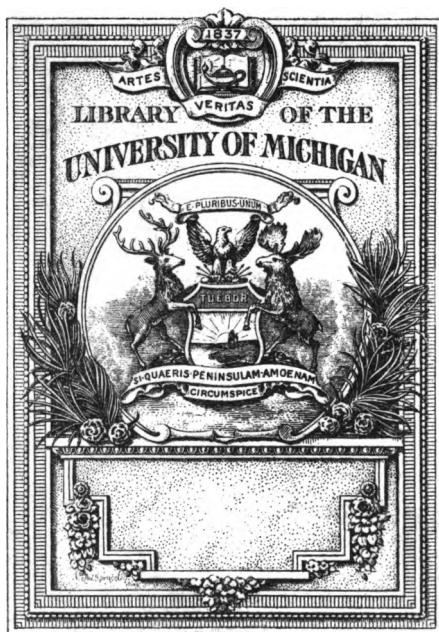
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ECONOMIC MONOGRAPHS. No. VI.

7666-12

FREE SHIPS

THE RESTORATION

OF

THE AMERICAN CARRYING TRADE

BY

JOHN CODMAN

NEW YORK
G. P. PUTNAM'S SONS
182 FIFTH AVENUE
1878.



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FREE SHIPS.

The Restoration of the American Carrying Trade.

It may seem surprising that an American House of Representatives should have been so ignorant of the meaning of a common word as to apply the term "commerce" to the carrying trade, when in the session of 1869 it commissioned Hon. John Lynch, of Maine, and his associated committee "to investigate the cause of the decadence of American commerce," and to suggest a remedy by which it might be restored.

But, it was not more strange than that this committee really appointed to look into the carrying trade to which the misnomer commerce was so inadvertently applied, should have entirely ignored its duty by constituting itself into an eleemosynary body for the bestowal of national charity upon shipbuilders. Its Report fell dead upon the floor of the House, and was so ridiculed in the Senate that when a motion was made to lay the bill for printing it upon the table, Mr. Davis, of Kentucky, suggested, as an amendment, that it be kicked under it. Nevertheless, the huge volume of irrelevant testimony was published for the benefit of two great home industries—paper making and printing.

The theory of this committee was that the Rebellion had destroyed another industry nearly as remote from the proper subject of inquiry as either of these. These gentlemen con-

cluded that shipbuilding was becoming extinct, because the Confederate cruisers had destroyed many of our ships—a reason ridiculously absurd, in view of the corollary that the very destruction of those vessels should have stimulated reproduction. Since that abortive attempt to steal bounties from the Treasury for the benefit of a favored class of mechanics, Government, occupied with matters deemed of greater importance, has totally neglected our constantly diminishing mercantile marine.

By refusing to repeal the law that represses it, it may truly be said that had every ingenuity been devised to accomplish its destruction, its tendency to utter annihilation could not have been more certainly assured than it has been by this obstinate neglect.

In the session of 1876, Senator Boutwell of Massachusetts renewed the proposition of Mr. Lynch, but his Bill was not called up in the Senate. In the course of intervening years a little more light may be presumed to have dawned upon Congress, and, therefore, it is to be regretted that the Senator did not obtain a hearing, in order that the fallacy of his argument might have been exposed.

If any one cares to study the origin of our restrictive navigation laws, he can consult a concise account of it given by Mr. David A. Wells, in the *North American Review*, of December, 1877. It came out of a compromise with slavery. The Northern States agreed that slavery should be “fostered”—that is a favorite word with protectionists—provided that shipbuilding should also be fostered, and that New England ships—for nearly all vessels were built in that

district—should have the sole privilege of supplying the Southern market with negroes!

That sort of slavery being now happily at an end, shipbuilders still inherit the spirit of their guild, merely transferring the wrong they perpetrated on black men by binding all their white fellow citizens with the bonds of their odious monopoly. Moreover, although the arbitrary law of the mother country forcing the colonists to conduct their commerce in British built ships was one exciting cause of the Revolutionary Rebellion, Americans had no sooner obtained their independence than they created a monopoly quite as tyrannical among themselves. And yet, they were not then without excuse. At the time when the Convention for forming the Federal Constitution convened in 1789, every civilized nation was exercising a similar restrictive policy. But while all of them have either totally abolished or materially modified their stringent laws touching their shipping interests—America, “the land of the free,” the boasting leader of the world’s progress and enlightenment, stands alone sustaining this effete idea. She persists in maintaining an ordinance devised originally for the protection of the home industry of her shipbuilders, which has now become a most stalwart protection for the industry of every foreign shipowner whom we encourage in the transportation of our persons and property over the ocean—an industry in which this law forbids a similar class of her own citizens to participate!

Whatever may be the arguments in favor of, or opposed to, the protection of industries under the control of our own Government, none of them can apply to those pursued upon

an area which is the common property of the world. It is a proposition so evident that no words need be wasted in its demonstration, that, other things being equal, the cheapest and best ships, most adapted for the purpose, by whomsoever owned, will have preference in the carrying trade over the ocean. You may pile the duty, for instance, on iron, and grant bounties on the production of the American article if you please, to any extent ; you may, if you choose, prohibit the importation of ploughs, and then assess farmers ten times the cost of their ploughs for the benefit of the home manufacturer. You would undoubtedly succeed in compelling them to purchase American ploughs. They must have them or starve, and we should all starve likewise if they did not use those protected ploughs to cultivate the soil. Indeed, in a less exaggerated way we are doing something very like this continually under the guise of "protecting home industry."

It is a legitimate business for the advocates of that doctrine. If they believe in it they are quite right in "trying it on," and in making the people at large pay as much as can possibly be got out of them for the benefit of a few.

But fortunately they cannot build a Chinese wall around the country. We are necessitated to have intercourse with other nations. We have a surplus of agricultural products to dispose of to them which they cannot pay for unless to a certain extent we take the merchandise they offer in exchange. This exchange, with all due respect to Mr. Lynch, his committee and the House of Representatives appointing those astute investigators, is commerce. The carrying

trade is the means whereby commerce is conducted, and this carrying trade, an industry once of vastly greater importance to our people than all shipbuilding has been, is now, or ever can be, is a business that Congress by its supine neglect has deliberately thrown into the hands of Europeans, and sacrificed American shipowners at the instigation of American shipbuilders.

In face of the prosperity achieved in consequence of the abandonment of a ruinous system by other nations, in face of the lamentable decadence its maintenance has brought upon ourselves, we still persist in packing this Sindbad of prohibition, the worst offspring of protection, upon our back, and then we wonder that we alone make no progress!

Certain political economists are in the habit of raking up records of the past wherewith to justify their theories for the present age. They tell us of England's protective laws in Cromwell's time, and say that as by them she then established her mercantile marine, we should endeavor to regain what we have lost, by a return to the policy of that period, from which by the by, we have varied only in a small degree. Upon the same principle we should abandon steam, which, like the progress made by our competitors, in free trade, is merely another improvement in the train of advancing civilization. When such men talk of the steamship enterprises which have triumphed in spite of their antediluvian ideas, they tell us that England supported the Cunard line by subsidies, and thus put her shipbuilding on a firm basis. The inference is that we should go back to 1840, build some 1200 ton wooden paddle steamers and subsidize them.

That this is no idle supposition is shown by the fact that long after England had abandoned that class of vessels in favor of iron screw steamships, we did build and subsidize the unwieldy tubs, some of which are still in the employment of the Pacific Mail Steamship Company. We became the laughing stock of the rest of the world who classed us with the Chinese, and our steamships with Chinese junks. The Japanese just emerged from barbarism exceeded us in enterprise.

They now own one line of fifty-seven steamships, more of them engaged in foreign trade than all the steamships we thus employ upon the ocean! At a late day we did commence the use of iron screw steamships of such description and at such cost as one or two domestic ship-yards chose to supply, and thus we were as far from resisting competition as ever.

Now, if there was no ocean traffic of which we should be deprived, the hardship to our shipowners would be comparatively trifling, although the tax upon ships of inferior workmanship and higher cost would, like all the operations of the tariff, be felt by the community at large. This is evident enough.

The Pacific Mail Steamship Company, for example, in order to pay expenses, to say nothing of profits, are obliged to charge a higher fare to passengers, to exact higher rates of freight from shippers and to demand a larger postal contract from government than they could afford to take, if by being allowed to supply themselves with ships in the cheapest markets of the world and of the best quality that compet-

ing shipyards could turn out, they might save one-third of their cost and have better steamers. If, therefore, we had only the coasting trade to consider, we might say that the prohibitory statute would not pinch the shipowner particularly, but its evil would be generally distributed. We are actually carrying on the coasting trade in this way, and as it is all that shipowners have left, of necessity they oblige the community to pay them the excess of cost in order that protection may inure to the benefit of the few monopolists who build iron steamships and are able to force the quality and price upon their unwilling purchasers. We can, and do without considering the pockets of the majority, make whatever laws we please for our own coasting trade.

But now let us look at the ocean rolling from continent to continent, unfettered by the chains with which "protection" can bind the lands and coasts upon its borders appropriated by nations to themselves. It is independent of an American tariff and of them all, as it was in the days when—

"It rolled not back when Canute gave command."

It welcomes the people of all nations on equal terms to its bosom, and Commerce is the swift-winged messenger ever travelling from shore to shore. Look at it, and if our eyes could scan it all at once, we should see the smoke darkening the air as it rises from hundreds of chimneys, telling of fires that make the steam for propelling the mighty engines that bring the great leviathans of commerce almost daily into our ports and into those whom we supply and by whom we are supplied with the products of mutual labor,

The flags of all nations are at their peaks—the British, German, Dutch, Danish, Belgian, French—but among the three hundred and more there are only four that carry the stars and stripes, and these were put afloat mainly at the cost of the Pennsylvania Railroad Company. Three hundred steamships, employing fifty thousand men earning a million and a half of dollars monthly; these men supporting and educating families, and themselves becoming reserves for their respective countries to call upon for naval service in time of war! Look at the ports from which these vessels wherever built, now hail, and which they enrich by the capital they distribute. Behold the warehouses, repairing shops, foundries, and other various industries connected with these enterprises, and the shipowners engaged in promoting them pursuing a legitimate business.

Then look at home. First calculate the sum of one hundred and thirty millions of dollars that has been annually paid by us to those foreigners for transporting ourselves and our merchandise. Then go back in memory to the time when in the days of sailing ships, our packets almost monopolized the ocean on account of the skill of our officers and seamen.

Reflect that if a policy of ordinary foresight had prevailed in our national councils when these sailing ships were killed off by the competition of the newly-invented iron screw, their old commanders and their noble crews would have kept their employment, and as they died would have been succeeded by men as worthy as themselves, adding to our revenue in time of peace, and, when needed, supplying a navy



THE AMERICAN CARRYING TRADE.

now maintained at an immense expense—God mark!—for the protection of an extinct merchant

See how few American steamship offices, how few shipping shops we have need of for these foreigners, with their own agents instead of our merchants, and endeavor to do all the work required upon their home. Then search for the American shipowner in trade beyond the seas. Look for them in their counting-rooms of South street, in New York. The old captains have retired in poverty and are begging for offices as that of inspector or port warden, or for some subordinate place in the Custom-House, while the sea is mostly dead with none to come after them, so South street is abandoned by its honorable merchants, who have in many cases, moved up to Wall street, and become landmen by being deprived of their original business. If you have done all this, finish up your investigation by calculating how much sooner the rebellion might have been suppressed if in years past we had owned our share of the world's shipping, and multiply the \$130,000,000 of freight annually paid to foreigners by the number of years we have been engaged in this suicidal policy of protecting our own earning money that of right belonged to our own people.

Having sketched this result of American legislation, take a glance at that of other nations in late years; for it is useless to dwell upon what it was a century or two ago as it would be to study the navigation laws of the ancients, or to inquire if Solomon exacted that tribute for bringing his spices from India and his gold from Op

be of Jewish construction. Old things did not pass away and all things did not fairly become new until the discovery of gold in California and Australia revolutionized values, created universal national intercourse, and by thus giving a sudden impetus to commerce, made the carrying trade an industry of far greater importance than it had ever been before.

At that epoch, our restrictive laws were productive of no harm to us, because it so happened that most of the business of the seas was done in wooden sailing ships, and it also happened, fortunately for us, that we had the faculty and the means of constructing them better and cheaper than they could be produced elsewhere. Accordingly our shipyards became wonderfully active in supplying the demands of our shipowners, and the *personnel* as well as the material of our merchant fleet being of the highest character, it was consequently in active employment. In the ratio of the increasing value of our carrying trade there was a corresponding decrease in that of Great Britain, simply because her restrictive laws, which were the same then as ours are now, prevented her people from owning such magnificent clippers as we were able to build, on equal terms with us.

But British statesmen were not inattentive to the situation. They wasted no time in appointing committees to investigate the cause of the difficulty, for it was as clear to them as the noonday sun, as clear as the occasion of our "decadence" should have been to the House of Representatives that appointed Mr. Lynch—as clear as it should be to the Congress now assembled.

Parliament deputed no half dozen of its members to spend six months in running around among shipbuilders, asking them what bounty they required to build clippers like the Americans, and how long it would take them to equal American shipbuilders in skill, material and cost.

But, realizing that the interests of commerce and ship owning were of infinitely greater value than that of mere shipbuilding, they did not propose to lose them, while the latter industry should endeavor to gain a new life. Regardless of any such consideration as that which solely actuated our investigators, Parliament at once abolished the prohibition to purchase foreign built ships. The greatest good of the greatest number was the motive of this wise decision.

As soon as they were thus allowed to do so, English shipowners ordered clippers from our shipyards, and putting them into profitable employment under their own flag, kept on with their business, sharing with us the supremacy of the seas, which but for the timely action of their government they would inevitably have lost. In this way they maintained it until there came a new era in shipbuilding, when circumstances becoming reversed, their mechanics were enabled to accomplish what ours could not, in the construction of iron screw steamships. Had Congress then been as wise as Parliament was in 1849, our shipowners would, in their turn, have maintained their prestige by supplying themselves from abroad with the new vehicles of commerce they could not procure at home, and we should never have heard of "decadence." Instead of such obviously judicious action, it has done nothing but condemn us year

after year to enforced idleness in the name of "protection." So we have endeavored to compete with these new motors on the sea by means of wooden sailing ships and paddle steamers, until they are of service only in our coastwise monopoly or rotting at the docks, if not broken up. We have gone on steadily protecting ourselves to death, and protecting England and Germany, the chief of our rivals, to life at our own expense of vitality. England's justice to her ship-owners, which at first seemed harshness to her shipbuilders, was eventually the means of their prosperity. It set them to "finding out knowledge of witty inventions," and now they have one hundredfold the capital invested and labor employed in iron steamship building, more than ever found occupation in their old shipyards.

In a recent address before the New York Free Trade Club, Mr. Frothingham humorously described a visit made by him a few years ago to the studio of an artist. He found him seated in despair, amidst a gallery of his unfinished pictures, his pallet, brushes and colors scattered about upon the floor, complaining bitterly of his lack of business. "This importation of French pictures," he said, "is ruin to American artists. Something must be done for our protection; we intend to get Congress to raise the tariff on those productions so that we shall not have to contend with the cheap labor that takes the bread out of our mouths." It may be noticed that this common phrase is very generally employed by those who are too lazy to supply their own mouths with bread. "Something," added the desponding artist, "must positively be done, and that very soon, or our

occupation will be gone!" "I thought," said Mr. Frothingham, "that I could more easily convince him of his mistake by entering for the time into his humor, and so with apparently deep sympathy, I condoled with him and promised to exert my influence in behalf of his profession. He thanked me heartily for my good will. But then I continued, "I want you to do something for me and for my profession in return." "How can I!" exclaimed my friend with some amazement, "Why," I replied, "We must get up what they call an omnibus bill, including relief for painters and preachers. Don't you know that one of the Presbyterian churches in New York, has imported, duty free, the Rev. Dr. Taylor from England, another, the Rev. Dr. Hall, from Ireland, and the Princeton Theological Seminary has brought over, without Custom House charges, the Rev. Dr. McCosh from Scotland? Now that is "taking the bread out of our mouths." There are plenty of American clergymen who would be glad to obtain these positions, and what right, therefore, have those congregations and that institution to supply themselves from abroad? The wants of the people ought not to be considered, but an art monopoly, a pulpit monopoly, a monopoly of any kind should be protected." In a style of satirical reasoning, of which the foregoing is an abstract, conviction was brought to the mind of the painter. Changing his tone to one of serious advice, the clergyman counselled him to go to work, to let competition become an incentive to action, instead of paralysing his energy. He then told him how the advent of these foreign divines had been a stimulus to him and to his brethren in the ministry,

The result was that to-day there is a higher standard of pulpit eloquence in New York than in any other city of the Union.

The lecture of the preacher was serviceable to the artist who is now at the head of his profession, caring no more for French rivalry than for that of a tavern sign painter. The appositeness of this illustration will be evident when it is applied to the subject under consideration.

Almost immediately after the repeal of the British Navigation Laws the revolution in shipbuilding to which I have referred had its commencement, and we have seen how British shipowners availed themselves of it. Nor were they alone in adopting the change from sail to steam and from wood to iron. We can remember what a large trade we had with Germany twenty-five years ago, although it was small compared with that of the present. At that time it was chiefly conducted in American vessels. But when iron steamships came into vogue, wooden vessels, both American and German, were abandoned. If we had been permitted to do so, we should have still kept the greater part of that important carrying trade in our hands. But we were shackled by our navigation laws, while the Germans were unconstrained by any such impediment.

The *personnel* of our mercantile marine was, in every respect, superior to theirs, but it was consigned to annihilation by our protective government; while Hamburg and Bremen took their old galliot skippers in hand and educated them to the responsible places they now fill in command of the splendid lines of iron steamships, making their

semi-weekly trips across the Atlantic, having absolutely monopolized the whole American trade!

Thus our government protected the Germans as well as the English. By citing other examples, we might show how the "fostering" hand of protection has been extended by our government to every nation choosing to trade upon the necessities of prohibited Americans.

Now, if the United States persist in maintaining a policy long since abandoned by Europeans, South American and Asiatic nations, even by Japan, leaving us only China as a companion, there must surely be some arguments to support it, and to account in some other way than has been pointed out for the decadence of our carrying trade. It was the theory of Mr. Lynch's committee that we were going on very successfully until the civil war supervened, and then the Confederate cruisers destroyed our "commerce," as they termed the industry we have lost. If this is not disposed of by what I have already said, permit me to quote from my scrap-book an extract from a letter addressed by me to the *New York Journal of Commerce*, in the spring of 1857, *newly four years previous to the commencement of the rebellion* :

"In an article, written some months since, it was assumed that steam was destined to be the great moving power for emigration, and that it would supplant, almost entirely, the use of sails. Experience is every day justifying this view, and still more, it is becoming evident that in proportion as steam can be economized, it will serve for the transportation of very much of the merchandise now carried by sailing vessels. In fact, the time is not far distant when the latter class of ships will be required only for articles of great bulk and comparatively little value,

"The only question now is, who are to be the gainers by this revolution in navigation ?

Figures are very convincing arguments to American minds. Let us use them :

In January last it was stated that less than eighteen years have elapsed since the first steamship propelled wholly by steam crossed the Atlantic ; and now there are fourteen lines of steamers, comprising forty-eight vessels, plying between Europe and America.* Upon looking into this with a view to test its correctness, it was found to be within the truth ; for, including transient steamers, the number was greater than stated. And it incidentally appeared that of them all, there were but seven under the American flag—all even, side wheel ships—and, on the average, unprofitable, even with the support of government, upon which they leaned."

Maintaining then, as now, that the screw must supersede the side-wheel for all purposes, excepting perhaps those of mail carriage, and that iron screw steamers are, in all commercial respects, preferable to wood steamers, the argument was adduced that England, being able to construct this class of vessels more economically than we can, must of necessity have the monopoly of building them. Her monopoly, in this respect, we cannot prevent ; but it depends upon ourselves and our government whether she shall share with us the monopoly of owning and sailing them.

I have taken a bold, and it may be, *apparently*, an unpatriotic stand, in assuming that the only way in which we can participate in ocean steam navigation is by adopting a system of reciprocity with England in so changing our laws that we may buy her steamers as she now buys our sailing ships, because she finds it for her interest to do so."

These views, *entertained twenty-one years ago*, were applicable then. They have been applicable ever since—they are applicable now. They have been the staple of all

* In twenty-one years the number of our transatlantic steamships has decreased from seven to four, while those under foreign flags have increased two hundred and fifty,

that I have ever written on the subject before the war, during the war, and since its termination.

Iron steamship building was in its infancy in 1857. Its great development was merely coincident with our civil war. That war was a horrid nightmare. We found that our navigation interests, with many other things we could ill afford to lose, the lives of hundreds of thousands of our young men, vast sums of our money, and not a little of our morality, were gone. Those lives can never be restored, while our money may be regained, and it is to be hoped our morality may be improved, but as to our ships, we simply refuse to replace them with those that are better.

One argument in opposition to free ships is founded upon the injustice that would be done to our shipbuilders. Were this true, it might be said that ship-owners and the general public have some rights that shipbuilders are bound to respect. The interests of our whole people are paramount to theirs as were those of the English people in 1849, when the proportion of their shipbuilders was greatly beyond that of ours at this day.

In point of fact, however, the suffering of our shipbuilders by the repeal of the navigation laws, would, from the first, be scarcely appreciable, and, in the end, would be more than compensated by increased business.

It would matter very little either to the builders of wooden vessels or to the public if that provision of the statute which touches that department, and which really was intended for that alone, should be repealed or not. Our mechanics build mainly for the coasting trade, and they build wooden vessels

so good, and at such low prices, on account of the material at their hands, that there is little danger of any competition with them on the part of foreigners. We never had any reason, and probably never shall have, to fear the rivalry of other nations in this particular line of business. So long as it constituted the only method of construction, as we have seen, England found her advantage in coming to our market for her ships.

Therefore, what Congress does, or neglects to do, regarding this branch of shipbuilding, is of very small moment. Our wants do not lie in that direction.

The iron screw steamship is now the great and profitable carrier upon the ocean, and all we care to ask is the privilege to avail ourselves of this "survival of the fittest." Whence then comes the opposition to what should be the inalienable right of an American citizen to own the best ship that he can buy with his own money.

Naturally, from the few iron shipbuilders in this country, the chief of whom happens to be an Irishman. I would not be understood as speaking disrespectfully of his nationality, for I am aware that our political machinery depends very much upon the votes of his countrymen for its running order. Nevertheless we do object to this perpetual cry of the "Protection of Home Industry" which simply means the protection of Mr. John Roach at the cost of the forty million citizens whom he has adopted.

This personal allusion is unavoidable. Mr. Roach is omnipresent in the lobbies of Congress, and by his persuasive blarney exerts an undue influence there. Withal he is my

personal friend, and I have often had occasion to compliment him upon the ingenuity of his appeals.

When we approach Congress with the modest request to be allowed to buy ships where we can do so upon the most satisfactory terms, Mr. Roach is always on hand to give assurance that it is needless for us to go abroad, for by his skill and his labor-saving processes he is able to supply us with all the ships we require cheaper than they can be bought upon the Clyde. Again when there is a subsidy bill before the Senate or House, our versatile friend is equally ready to go down upon his knees as a beggar, telling Congress that the only way to regain our ocean prestige is to subsidize the companies from whom he expects to get orders, as otherwise they cannot compete with the "pauper labor" of the country he has abandoned. In either case, as will be readily seen, the object is to have us contribute to the prosperity of Mr. Roach.

With pride the iron shipbuilders of the Delaware point to the increase of their business, infinitesimal as it is, compared to the ever multiplying production of British shipyards. But whence does this increase arise? From the demand of our people for carrying grain, cotton and other products to Europe, and bringing back merchandise therefrom in competition with the great fleet of foreign steamers to whom we have given the monopoly of that business? By no means. It will be found upon critical enquiry that every one of our home-built iron steamers, excepting two or three in the W. India business, is built for our coastwise trade or for some line that had been subsidized.

Even the three or four ships belonging to what is called the "American Line," running between Philadelphia and Liverpool, may be said to be subsidized, as without an entire remission of taxes from the State and the aid of the Pennsylvania Railroad, they could not have been put afloat.

Now, why cannot American shipbuilders compete on equal terms with those of Great Britain? That they cannot is evident from the fact that they do not; for it would be unreasonable to suppose that the ability to sail ships, on the part of our seamen, vanished with the departure of wooden vessels. It is true that we need a revision of other maritime laws besides those under discussion, but it is sufficient now to say that we cannot prove our ability to sail ships unless we are permitted to own the ships we desire to sail.

Ships are but the tools of commerce, and if we have not the tools we cannot do the work. Foreign mechanics cannot sell us these tools; our own mechanics cannot provide them; therefore the workmen of the sea are idle.

If one of Mr. Roach's theories is correct, if he can build steamships cheaper and better than those we desire to buy, why does he object to the introduction of an article that can do him no harm? If the other is true, and undoubtedly it is, that he cannot build the ships that are needed without the aid of a bounty or a subsidy, what then? Manifestly, unless the prohibition to purchase such ships is removed, it being the duty of Congress to protect the individual interests of Mr. Roach and his confreres by subsidies, equal justice demands that every person as well as every company who is forced to come to them for ships, should be subsidized

to the extent of the difference of the cost of a ship in the United States, and that in the country where they are most advantageously built, and this difference is at least twenty-five per cent. Call it rather more or rather less as we please, but a vast difference is on all hands acknowledged, and the fact of our non-production proves it. The shipbuilders have already had exceptional legislation by a considerable remission of duties in their favor. But it is not enough.

In order to compete successfully with foreigners, they should obtain the repeal of all duties which make their daily life so much more expensive to them than it is to their fellow craftsmen in Scotland. But having already more protection than any other class of mechanics, they have scarcely the presumption to demand any partiality to that extent. Another, and a more forcible reason for their lack of success is that there has been no competition in the importation of ships to stir them to exertion. Had there been, the first difficulty might more readily be overcome. The illustration used by Mr. Frothingham already given, applies with greater force to ship building than to any other industry. The importation of ships is absolutely prohibited, whereas that of all other articles is either free or accompanied by a duty. And it is worthy of notice that the smaller the duty on whatever is introduced, the greater is the constantly improving skill of our domestic manufacturers in its production.

As an argument against free ships, opponents of the measure a few years since circulated and placed on the desks of members of Congress, a lithographed drawing. It represented among other things the destruction of our ves-

sels by the *Alabama*, and a personal caricature, the compliment of which it does not become me to more than acknowledge. Its chief ground was occupied by starving mechanics, standing listlessly around deserted ship-yards and machine-shops.

There was some truth in this part of the picture. There was no reason why mechanics should starve at that time when a common laborer obtained from two to three dollars per day for his work, but there was a reason for the abandonment of wooden ship-yards and old-fashioned machine-shops.

Wooden ships were no longer in demand at home or abroad, and the world had discovered better machinery to propel better ships. As an offset to this pictorial argument, another might have been introduced, exhibiting in the background the mere blacksmiths' shops of the free cities of Hamburg and Bremen, as they existed before the era of iron steamship building, and in the front the subsequent appearance of great workshops and foundries, first built for the purpose of keeping in repair the fleet of steamships bought by unhampered Germans to do our American carrying trade, and afterwards kept in more active employment, by the ability their workmen have since acquired to supply their home market with steamers of their own construction.

The advocates of subsidies have committed a grievous error in arguing that postal contracts, given to one or more steamship companies, will tend to a revival of shipbuilding for public benefit. It is evident, on the contrary, that those ships, a part of whose cost is defrayed by National bounty,

would be run as monopolies against individuals who have no such charitable aid. A subsidy given for the protection or the assistance of shipbuilders is a downright robbery of the people's purse. There can be no question about the propriety of giving a proper compensation to steamship companies who carry the mails. They ought to be paid as liberally as railroad or stage-coach companies, according to the miles they traverse and the difficulties they surmount. Their true policy is first to advocate a measure whereby they can be supplied with the best ships for their purposes in the cheapest markets of the world, not only because in ordinary traffic they can thus better compete with rivals under foreign flags, but because they can better afford to accept a moderate compensation from our government for carrying its mails.

Mr. Charles S. Hill of New York, has recently published a pamphlet of elaborate statistics, his object being to prove that Great Britain has protected not only her commerce, but her shipbuilding, by subsidies. In one respect he is right. By liberal payment for the carriage of her mails she has indirectly fostered commerce in maintaining regular postal intercourse. But there is not the slightest evidence to show that she paid out her public money to encourage either private shipbuilding or ship owning. In England each of these industries stands by itself, and is able to maintain itself. All that either of them asks, and all that they both receive, is liberty. It is this, and this alone, that has given them their overshadowing success.

It is the want of it, and only the want of this great element of prosperity, that has brought upon them in the United States the oft-lamented "decadence." In this one sentence the whole story may be read.

In giving her postal contracts, England never enquires where the ships that carry the mails are built. It is sufficient that under her flag they perform their work.

It was only the other day that a British subsidized line on the coast of South America, bought the steamers of a bankrupt French line, put them under the British flag, and went on with their accustomed regularity in carrying the mails—all that was required at their hands.

Now, if any of the companies who are seeking for postal contracts from our government are to have their proposals acceded to, it should be with the express proviso that they and all of us may be provided with the best and cheapest ships wherever they can be obtained, as in this way the public and individuals can be most profitably and advantageously served.

I have observed in the preceding pages, that the reason why our American shipbuilders are unable to compete with those upon the Clyde is, in a great measure, owing to the fact that a high tariff, making it more costly for mechanics to live, necessitates the demand, on their part, for higher wages.

In the construction of an iron steamship, as will be seen in reading a communication herewith presented, the labor may be estimated at $27\frac{1}{2}$ per cent. of the total cost. The writer, of course, means to be understood as speaking of the

labor in putting the ship together, having the material in shape of angle iron, plates, &c., &c., already prepared.

If the labor from the time of extracting the iron from the mines, reducing it to ore, and working it up from thence to the shape required by the shipbuilder, had been included, nearly the whole cost of the ship would be comprehended under that term. Indeed, in working out this problem, we ought actually so to consider it. It will be seen that the difference in the cost of labor, even in its depressed condition in this country, without taking the higher cost of materials into account, is so great as to absolutely preclude any attempt at equality upon our part, notwithstanding what may be said to the contrary by Mr. Roach, when it suits his convenience to boast of his ability to compete with foreign shipbuilders.

At Dumbarton, I once carefully went over the books of Messrs. Wm. Denny & Brothers, a member of whose firm, Mr. James Denny, now furnishes me with some statistics. It was found that to build the *Parthia*, a Cunard steamship of 3,000 tons, 162,500 days' labor was required; I mean with the materials already prepared.

Now, although the figures given in the tables below ought to be convincing at a glance, it is easy for any one with an ordinary knowledge of arithmetic, to make a close calculation of the labor difference in cost of British and American steamships *of the same quality*. I do not deny that a tea-kettle may be cheaply rivetted together anywhere.

Naturally, in this line of argument, I shall be met by the oft-repeated question: "Do you then advocate the reduction of the wages of our mechanics to the level of 'pauper

labor' in Scotland?" By no means; but while explicitly in favor of such free trade in general as will make a dollar go as far in the United States as four shillings now go in Great Britain, I maintain that in the particular industry of ship owning, so long as the necessity for higher wages is imposed upon us, we ought to avail ourselves of any labor, "pauper" or otherwise, by which steamships are built, because other nations are so doing and are prosecuting for their manifest advantage this vastly more important business upon the ocean, which we are forbidden to engage in, because we cannot build ships. The homely illustration at the close of the parable on the concluding page, is certainly applicable. We are not allowed to whittle, because we cannot make jack-knives.

On the other hand, my friend Mr. Roach will, if he is not engaged for the moment in asking for subsidies for the very reasons I have just adduced, most confidently assert that, on account of the superiority of his machinery, and the energy of his workmen, attained by "breathing the pure air of liberty," he can overcome all the difference in wages, that he has already done so, and that he "can now build steamships cheaper and better than they can be built upon the Clyde."

Mr. Denny sends the following memorandum under date of February 5th, 1878:

"Prices of steamers of various sizes similar to those at present employed in the Atlantic passenger trade."

1st, 2,000 gross tons, speed on trial, 13 knots, cost	£44,000
2d, 3,000 " " 13 $\frac{3}{4}$ " "	62,000
3d, 4,000 " " 14 $\frac{1}{2}$ " "	96,000
4th, 5,000 " " 16 " "	147,500

The whole of these prices include the builders' profit, which has been put down at the usual one we expect for our work.

I enclose rates of payment our men get while employed on time, but our boiler-platers work almost wholly by the piece. Also rates paid to men in the ship-yard while on time, but this system of payment has been almost entirely abandoned there in favor of piece work, which you may safely say reduces the cost of labor from ten to twenty per cent., as compared with time work. However, for such of them as are employed on time, the rates I give you are correct.

In the foregoing prices of ships I have given you, you may say that $27\frac{1}{2}$ per cent. of the total cost at present price of materials may be put down against labor, but of course this will vary as the prices of materials vary.

Rates of wages paid on Clyde to men employed in the manufacture of iron ships—apprentices excluded:

	d.
Carpenters.....	7
Joiners.....	$7\frac{1}{4}$
Blacksmiths.....	$6\frac{1}{2}$
Platers.....	$6\frac{1}{2}$
Rivetters.....	$5\frac{3}{4}$
Laborers.....	$3\frac{3}{4}$
Angle iron-smiths.....	$6\frac{1}{4}$
Riggers.....	$6\frac{3}{4}$
Hammer-men.....	$4\frac{1}{4}$
Holder up.....	$4\frac{1}{4}$

Rates of wages paid on Clyde to men employed in the manufacture of marine engines and boilers—apprentices excluded:

	d.
Smiters.....	6.6
Strikers or hammer-men.....	4.23
Angle iron-smiths.....	6.5
Boiler platers.....	7.07
Rivetters and caulkers.....	6.23
Holder up.....	4.7
Iron turners.....	6.47

	d.
Iron finishers.....	6.10
Engine fitters and erectors.....	6.16
Planing machinists.....	5.64
Shaping	5.17
Slotting.....	5.3
Drilling.....	4.9
Pattern-makers.....	7.53
Carpenters.....	7
Joiners.....	5.5
Engine-drivers.....	4.55
Ordinary laborers.....	4

N. B.—The above are the average rates of each class of men as detailed, and the rates given are the amount paid in pence and in fractions or decimals of pence per hour. Fifty-one hours constitute a working week. Boiler-platers work mostly by the piece, but the rates given are those paid when they are on time.

January, 1878."

I have endeavored in vain to procure from Mr. Roach his corresponding prices of steamships and labor rates. The nearest approach to the latter has been obtained from the Secretary of the New York Free Trade Club, who has handed me a note under date of February 7th, from a well known iron ship and engine building firm of New York. They enclose their tariff of wages with these remarks :

"In regard to shipyards, you know there is no such thing around New York any more, but I give you such rates as we are now paying. We are building three small iron steamers at present.

"In regard to rates of wages, compared with Wilmington and Chester, they are about 8 to 10 per cent. under us."

RATES OF WAGES IN SHIPYARD.

Carpenters.....	\$2 50	@	\$2 75
Joiners	2 50	@	3 00

Blacksmiths.....	\$2 10	@	\$2 75
Platers.....	2 25	@	2 75
Rivettors.....	2 10	@	2 50
Angle iron-smiths.....	2 00	@	2 20
Hammer-men.....	2 00	@	2 25
Holders up.....	1 60	@	1 75
Riggers.....	2 00	@	2 50
Laborers.....	1 40	@	1 50

ENGINE AND BOILER WORKS.

Carpenters.....	\$2 50	@	\$2 75
Joiners.....	3 00		
Hammer men.....	2 00	@	2 25
Smiters.....	1 50		
Angle iron smiths.....	2 00	@	2 25
Boiler platers.....	2 25	@	2 75
Rivettors and caulkers.....	2 10	@	2 50
Holders up.....	1 60	@	1 75
Iron turners.....	2 25	@	2 75
Iron finishers.....	2 50	@	3 00
Engine fitters and erectors.....	2 50	@	3 00
Planing machinists.....	2 25	@	2 75
Shaping ".....	2 25	@	2 75
Slotting ".....	2 25	@	2 75
Pattern makers.....	2 75	@	3 25
Engine drivers.....	2 25	@	2 75
Laborers.....	1 40	@	1 50

Having quoted both these lists, their data will now be arranged in a tabular form, so that the difference in the cost of labor employed on the Clyde and on the Delaware will be at once apparent. For this purpose, the Scotch prices are reduced to American money, one pound sterling being represented by five dollars currency, and the hourly pay multiplied by ten, to make a day's work.

An average is made of the wages paid in New York, and 10 per cent., the largest allowance mentioned by the New

York firm, is deducted from the average prices paid by them, resulting in the rates upon the Delaware.

COMPARATIVE TABLE.

Shipyards.

	Labor on the Clyde.	Labor on the Delaware.
Carpenters, per day, 10 hours,	\$1 40	\$2 36
Joiners, " "	1 45	2 48
Blacksmiths, " "	1 30	2 18
Platers, " "	1 30	2 25
Rivetters, " "	1 15	2 07
Laborers, " "	75	1 31
Angle iron-smiths, " "	1 25	1 89
Riggers, " "	1 35	2 03
Hammer-men " "	85	1 91
Holders up " "	85	1 51

Engine and Boiler Works.

Smiters, per day, 10 hours,	\$1 32	\$1 35
Hammer-men, " "	85	1 91
Angle iron-smiths, " "	1 30	1 91
Boiler-platers, " "	1 41	2 25
Riveters and } caulkers, }	1 25	2 07
Holders up, " "	94	1 51
Iron turners, " "	1 29	2 25
Iron Finishers, " "	1 20	2 48
Engine fitters } and erectors, }	1 23	2 47
Planing machin- } ists, }	1 13	2 25
Shaping " "	1 03	2 25
Slotting " "	1 06	2 25
Pattern makers, " "	1 51	2 70
Carpenters, " "	1 40	2 36
Joiners, " "	1 10	2 70
Engine drivers, " "	91	2 25
Laborers, " "	80	1 31

There are two horns to the dilemma, either of which Mr. Roach may lay hold of, but he cannot swing on a pivot between them. If he accepts these figures, or anything approaching them,—and the fact that the ocean is covered by foreign built ships to the exclusion of his own is proof of their correctness,—he may go on asking for a bounty on every ton he builds equivalent to the difference in cost. Will he get it? No!

If, on the contrary, he chooses to repeat his assertion that his ships cost less than those built in Scotland, what inference is naturally drawn? Simply, that his ships are too cheap to be good.

Whatever position he may take, Section 21st of the new Tariff Bill meets every just demand of the ship owner whose rights have never been considered at all, and of the ship builder who has always been a mendicant in the lobby at Washington.

“All materials for the construction, equipment or repair of vessels of the United States may be imported in bond, and withdrawn therefrom under such regulations as may be prescribed by the Secretary of the Treasury; and upon proof that such materials have been used for such purpose no duties shall be paid thereon. And all vessels owned wholly by citizens of the United States shall be entitled to registry, enrollment and license, or license, and to all the benefits and privileges of vessels of the United States; and all laws, or parts of laws, conflicting with the provisions of this section shall be, and the same are hereby, repealed.”

This is all the privilege that ship owners demand, and with the favoritism over all other mechanics shown to ship-builders, how can they complain? Even now, Mr. Roach

says that he "can build steamships cheaper and better than they can be built on the Clyde." What will he not be able to accomplish with the provisions of this bill! His angle iron and his plates, his rivets and his brass work, his copper, his wire rigging, his sails, his paints, his cabin upholstery, mirrors, and everything appertaining to the completeness of his equipment—a great part of which would cost him vastly more at home—anything and all that he requires may be imported, duty free! Happy Mr. Roach! Why need he fear the effect of the clause in favor of ship owners? Who will avail themselves of it? But alas for the ship-builders upon the Clyde, in Newcastle and Belfast! Their occupation will be gone. Already building ships at a lesser cost than theirs, this remission of duties will enable Mr. Roach to build them from ten to twenty per cent. cheaper still. What will England then do? Will she grant bounties to her ship-builders, to meet the emergency? She did not do it in 1849, to sustain her wooden ship-builders; she will not do it now in order to "protect" an industry infinitely greater than ours, but infinitely less in importance than that of her ship owning. She will protect that, by leaving it *free*, and every Englishman who desires to buy a ship will come for that purpose to the Delaware. Mr. Roach objects to our buying British ships now; will he decline to sell American ships then?

In view of this glorious future, how can you, Mr. Roach, oppose the 21st section of this bill?

I have thus adduced some of the principal arguments in

favor of the free importation of ships, the only method by which the lost prestige of our commercial marine can be restored. I have given a very close attention to the subject for many years, having in the outset come to the conclusion which subsequent time and events have abundantly confirmed.

If this essay should prove too long to be carefully read by our law-makers, for whose perusal it is mainly intended, I still trust that they may turn over the leaves sufficiently to recognize the condition of our carrying trade compared with that of England and Germany, as I shall endeavor to portray it in the shorter form of a parable, of which I earnestly hope they will make the application.

THE THREE FERRIES.

There are two large towns on the opposite banks of a wide river. There is a constantly increasing passenger and business employment, supporting several ferries, between them. In former days the principal ferry masters were an American, an Englishman, and a German. They all employed boats propelled by sails, and especially the first did a very profitable business. Indeed, the American was the most successful, as he and his boys had a way of handling their craft much superior to either of the others. Each had a large family of relatives, and, naturally, as these relatives of theirs were willing to work for the same wages as other people, they built new boats for their kindred whenever they were required.

It so happened, however, that the American's family built much better than the Englishman's. When the latter noticed that the superior craft of the former were better patronized by the public than his own, he asked the Yankee boys if they wouldn't build some boats in their style for him? "Sartain," they said, "if you'll pay us what Uncle Sammy pays for his'n?" "Aye, of course I wull," said Mr. Bull, "for boats like yon I must have, or Sam will run away with all my business, and my family will starve." So Uncle Sam's boys built the boats for Mr. Bull, and the two old gentlemen got on amicably, for there was business enough for them both, and the Dutchman did not interfere with them a great deal. The few carpenters among Mr. Bull's relations did not like this very well, but the old man said to them squarely, "Look you here, now, d'ye think I'm going to let fifty of my relatives stand still because two or three of you, who can't build boats as well as Sam's people, are growling about it? That's not my way; I work for the good of my family at large. Go to work, now, and see if you can invent a better boat than they build; if you can, I will employ you, and so will Sam." They took the old man's advice, for they saw the sense of it, and in a short time they studied out a craft superior in every respect to anything they had before, or that Sam had now. "That's right, boys," exclaimed old Bull, rubbing his hands with glee, "now build some of them, and I'll buy them of you, and so will Sam if he isn't a fool." They did build some excellent boats, to which the public took at once; and everybody who wanted to cross the river, or to send any goods

over immediately, gave Mr. Bull their custom. He grew rich suddenly, not so much from *building* boats as from *using* them. Nobody patronized Sam's now old-fashioned craft. Uncle Sam, generally supposed to be a "smart old cuss," couldn't understand it at all. "It's one of those things that no fellow can find out," he said, "but next time we have a family meeting we'll appoint a committee to get at what this here 'decadence' comes from." So he appointed a committee, and they ran around six months among the carpenters of the family, and came back with a report that "Whereas, a few years ago, during a family row, a lot of old ferry boats had been stolen by or sold to Mr. Bull, this had killed boat building ever since; and it always would be dead until every one of the family put their hands in their pockets and supported the carpenters till they had learned to build just such boats as Bull was using." In the meantime it may be remarked that the Dutchman had got Bull's boys to build some new boats for him, and he was now doing a better business than he had ever done before. Uncle Sam looked on and observed, "By jingo, this here's a fix; I've asked my family to hand over the cash to support these carpenters of mine, and they say they'll see me ——; well, never mind what, and now that whole raft of boys, who were earning money for me on the ferry, are digging clams or gone to farming, and when I want to go across the river I have to go with Bull or the Dutchman, and pay them for it, instead of getting money for doing what they do, myself." His boys, who were thrown out of employment on the ferry, thereupon approached the old gentleman and said, "Uncle

Samuel, don't you remember how, a while ago, when those carpenters of ours built better boats than Mr. Bull's could build, the old fellow came to you, and asked you to let them build some for him? If he hadn't got them from us his fellows would shortly have been high and dry, as we are now; but we sold them to him, and so he kept up his business on the ferry. Now, why don't you do what he did, and give us something to do, instead of spending your money going across in his boats and the Dutchman's?" Uncle Sam reared right up at this mild remonstrance. "Git out," he exclaimed, "you ain't no account, the ferry's no account, there ain't nothing of no account in this here family but just a half a dozen boat builders. Say, Jonathan, what are you doin' with that ar jack-knife? Did you make it?" "No, sir; I bought it of one of Bull's boys." "Well, then, lay it right down; *I ain't a goin' to have you whittle till you can make one for yourself.*" And then the old man went off—mad! And in another sense of the word, he is still mad.

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SUFFRAGE IN CITIES

BY

SIMON STERNE

"Upon the manner of regulating the suffrage depends the
destruction or salvation of States."
—*Montesquieu Esprit des Loix.*

NEW YORK
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THIS ESSAY WAS DELIVERED AS ONE OF THE POPULAR COURSE OF LECTURES AT THE INVITATION OF THE TRUSTEES OF THE COOPER INSTITUTE, IN THE LARGE HALL OF THE UNION, ON SATURDAY, DECEMBER 15TH, 1877.

SUFFRAGE IN CITIES.

STUDENTS of zoology are frequently struck by remarkable resemblances between habits of insect life and those of human beings, which open up strange relations of motive and plan between what are manifestly widely diverse conditions of life.

Students of history have the same experience. Social conditions, separated widely as the poles, to the superficial observer, offer analogies showing them to be closely related.

Louis XIV of France who had during the greater part of his brilliant reign concentrated by his vigor and his genius all political power of the empire in his own person, and who then had selected and surrounded himself by the ablest and best material that France afforded, both for civic and military direction of affairs, gradually became alienated from the capable ministers of the earlier part of his reign, and, sinking into dotage, was then surrounded by scheming priests, women and speculators, who, by courtier's arts, base sycophancy, low cunning and unscrupulous inflaming of passions, gradually crept into his confidence, and secured the removal of all public officers of

independence of character, and filled their places with their creatures.

So low had the public service of France sunk in the last days of the personal government of Louis, in the first years of the eighteenth century, that, when the Duke of Orleans took the regency, he found the coffers empty, the army unpaid for years, and vast claims against the royal treasury, for the discharge of which there was no adequate machinery of taxation. Yet, officials who had been but a few years towards the close of Louis XIV reign in and about the treasury, had grown sufficiently rich to give rise to the suggestion made by Novel De Kerfas to the regent, that by a threatened public investigation at least two hundred millions of hush money could be covered into the treasury from a list of persons named by him. For instance: the then Comptroller General was expected to pay ten million francs, Chancellor Pontchartrain, the former comptroller general, ten million francs, De Bercy, superintendent of finance, two million francs, De Rebours the superintendent of accounts, one million francs, Phelippeaux De Pontchartrain, former minister of marine, two million francs, etc., etc.

Thus down to the very foresters, all were assumed to be speculators, and were catalogued in precise proportion to the advantage they were supposed to have taken of their opportunities to help themselves from the public treasury. The results proved that the suggestion which was made by Kerfas was an under, rather than an

over estimate of the malversations of which public officers had been guilty. Of these peculations while made, the monarch knew nothing. He was flattered and cajoled by the courtiers and women around him. He was the best of kings in the best governed of kingdoms.

Political power has changed from that time to this. It is no longer one person who represents the state, who can be flattered and cajoled, wheedled into giving great offices to great rogues, coaxed into granting great monopolies for the oppression of the people, but it is the people themselves who hold all political power, and yet, strange to say, the condition of our treasury in the city of New York and the relation thereto of its comptroller, its chief of public works, of public parks, Mayor, and all other officers down to the lowest, formed in 1871, a grotesque parallel with the condition of the treasury and officers at the time of the death of Louis XIV. The same results seem to have worked themselves out under the most democratic form of government that existed, under the most autocratic; even the same ignorance on the part of the royal sovereign, the people, as to what was going on, brought about, similar arts, diplomacy and craft that wheedled and cajoled poor old Louis XIV.

The regency has come with us. Some of our public thieves have been compelled to disgorge and a better condition of affairs has taken its place, but whether that regency is again to be followed by another set of thieves precisely as Louis XV. followed Louis XIV., depends upon

the question of changing in the interim the organization of our sovereign, because the antechambering will not discontinue, the politician will not discontinue to ply his vocation, the same fear of offending and the same desire to keep the sovereign in good humor and in ignorance exists to-day, precisely as it existed at that time, and from precisely the same motives. The sovereign has always been more or less of a fool because there is a strong interest to keep him in a condition of imbecility for the profit of somebody, and that principle of human nature works as effectually as to the sovereign people of a remote Western town in far off Colorado, as it did in the ante-chambers and throne-room at Versailles in 1715.

Political government is an art of which political economy is, it is true, the science, but it differs from all other arts in this, that the elements we are compelled to deal with are uncertain in their manifestations, and therefore defy all calculation and are so numerous in every problem that while to infinite wisdom they are calculable and measurable, they are but approximately so, even to the student of political philosophy. Hence it is dangerous to govern society by general maxims, and when attempted, some startling fact brings us up with a sharp turn, and compels a re-examination of the basis of the philosophy we supposed to be fundamental, and experience requires us to make discriminations and qualifications which at the outset we did not think of making.

There are two sources whence we derive our institutions. The conservative one is that which is derived from the English government. As English colonies we modeled our institutions on those of the mother country, precisely as Canada has modeled hers upon the institutions of the England of to-day. We had our colonial legislatures, our governors imposed upon us by the crown, like the lord lieutenants of a county, special charters given to a few cities, such as the Montgomery and Duncan charter to New York and the charter to Baltimore, that of Penn to Philadelphia, and our town institutions which placed in the hands of the rate payers the local government of the townships.

Theories as to universal suffrage, and the abstract rights of man, did not occupy the thoughts of the men who made our earlier colonial history. They were frontiers-men everywhere, and had the rude and hard life of frontiers-men to lead, to which social tone and character was given by an offshoot of a home aristocracy.

Our leading revolutionary statesmen, however (notably is this true of Jefferson, Adams and Madison), were theorists educated in the school of the French encyclopædists, a school of philosophers with whom the rights of man, (meaning thereby the rights of the individual) to self-government and to taking part in governmental functions, was a cardinal maxim. The evils of despotic government had within their memories been so manifest and so grievous, that they in their doctrines went to the other extreme of individualism.

These theories were carried into practical effect by the French revolution. Mob government was rampant there and with results indelibly written upon pages of history in characters of blood.

In our own country, while these ideas existed in the minds of our leading men, our practice was ruled by English precept and example, the conservative tendencies of which prevented the "natural rights" from carrying us into excesses.

These theories however, germinated, grew, and about 1846 developed into many of the provisions of the constitution of the State of New York. It swept away all qualifications of property. Many officers who had theretofore been appointed, were made elective, judges notably so. The Central State government was stripped of all substantial power, small districts were parcelled out to which local self-government was permitted, under the rule of a dominant majority, without restrictions and without safeguards. This constitution, as all other constitutions of the State of New York, became the model organic form of government for other states, and the consequences which the constitution of 1846, its unfettered suffrage and an elective judiciary, small districts, a state executive stripped of almost all executive functions, has brought on us, re-appeared in other states west of New York as the population grew up to something like New York figures.

Almost simultaneously with the adoption of the con-

stitution of 1846 came the Irish famine, which brought to our shores in larger numbers than theretofore many industrious and useful laborers, who within a few years became citizens, carrying into politics their intense personal attachments and strong national prejudices. Likewise, the German Revolution of 1848 caused a vast accession of emigrants, adding to our industrial population a great number of persons without whose aid our agricultural, mining and railway interests could not have been as successfully developed; but the political stomach of a nation like the stomach of an individual, needs a slow and gradual supply of even good food for proper assimilation and to prevent indigestion.

With the many industrious emigrants came a great number of drones, who naturally remained in cities, because while of all places a city is perhaps the one wherein success is the most difficult to the merely industrious, it is on the other hand a great harbor for the idle and the vicious, as they readily can by shifting their ground and changing at short distances their residences obtain quite a new center of supply of dupes.

Thus, at the same time that we extended the suffrage by intrusting the electing of judges for instance—the most delicate function of government—to a great mass of indigenous citizens who had not previously exercised it in that respect, and were uneducated in that particular, we were compelled to extend the suffrage also to vast masses who had never exercised it at all as to anything.

Of course this enormous access of foreign population was not anticipated, and the changes that would be thereby effected in our municipal constituencies were not even remotely thought of.

This constitutional change fell in synchronously with the development of the railway and telegraph service, which by the annihilation of time and space, carried farther the tendency to the division of employments than was supposed possible even by the immediately antecedent generation. While this contracted the field of occupation of each individual, it increased the intensity with which each occupation was pursued. Politics thenceforth became from the necessity of the case a special employment to a degree unknown to our ancestors, because they did not have the division of employment carried to anything like its present condition. The merchant, the lawyer, the banker, the manufacturer no longer have time to pay attention to the political condition of affairs, but they leave this sphere of activity to a special class which is mainly recruited from unsuccessful merchants, unsuccessful lawyers, unsuccessful bankers and unsuccessful manufacturers.

This fact, lamentable as it appears to the superficial observer, is a tendency too powerful to be resisted by the individual, because it is a natural law, individual resistance to which means non-success and defeat in the special avocation which a man has selected for himself.

The suspicion with which any one is regarded who

neglects his business for the purpose of attending to politics, however good his motive, has its basis in an indistinct appreciation of the fact, that men cannot be successful in special avocations and yet pay attention to politics.

The scientific and industrial results of the last three decades have produced this effect and not as is ordinarily charged, wilful and perverse neglect of duty.

Hence, effects of defective governmental machinery which would otherwise have appeared slowly, have been enormously accelerated by the circumstances which I have mentioned; and now, after thirty years of experience under this constitution of 1846 we are once more brought face to face with the fundamental question, "Is there a natural right to vote in municipal affairs on the part of everybody irrespective of taxation?" And the solution of this question is forced upon us by the organized communism and destruction of property under the guise of taxation in which our system has resulted. I admit that in all purely governmental matters it would be dangerous to make any invidious distinctions between different classes of men, that possibly the only discrimination which any fundamental law upon the subject of suffrage is justified in drawing is one based upon educational tests or upon a test having some relation to the voters' freedom of choice, because freedom of the suffrage implies two things:

1. That the man who exercises the suffrage shall be so

situated with reference to his social relations that it shall be the exercise of a free man's vote; hence persons placed in a position, (as the great majority of women are) which would make their votes simply the echo of the votes of those who are around and about them and therefore not free votes, are properly excluded. With these exceptions and such as arise from crime or mental incapacity, we may safely admit that in governmental matters, universal suffrage is the proper rule.

2. That the suffrage shall be the exercise of a real power and not of the shadow of a power. To be permitted to vote "aye" only on predetermined measures such as the plebiscite of the second French Empire is not a free vote. Likewise to have by political machinery the franchise so manipulated that before the voter goes to the polls he either knowingly or unwittingly is merely going through a form to give validity and sanction to a predetermined result of secret caucus resolutions, is not the exercise of free suffrage.

We must at once, however, discriminate between governmental affairs and private affairs strictly and logically, and not extend the suffrage beyond the limits of government proper. Attention must also here be drawn to the dual element of the suffrage which makes it a matter of aggression as well as of protection, and which complicates from that point of view every governmental problem in dealing with the suffrage.

Any human being having the suffrage has two powers

united in what seemingly is one. He can protect himself by means of the suffrage against the aggression of the superior force of government. It is a shield and a cover which prevents his being what the French call *exploité* by the political powers.

From that point of view it is a right, and when theorists from Locke and Helvetius down to Gladstone have insisted upon the right of suffrage, they looked at it mainly, if not exclusively, from that point of view. However, a little meditation will show that in addition to its being a shield it is also a sword against which other members of society require a shield, and from this aspect, it ceases to be a right, but is a power which involves the power to do wrong, and we must not place on the theory that it is a right, a shield in one hand, and pretend to be unconscious that by the same movement we place a sword in the other.

As the suffrage not only prevents aggression, but at the same time elects and selects our political officers, who can become the instruments of aggression, we must hedge it in so as to prevent that sword in the hands of ignorant people from administering infinitely severer gashes and death wounds than it shields its bearer from.

These two elements, viz ; protection of the holder of the suffrage as to his rights and power to aggress upon the rights of others, vary in a ratio dependent upon whether the object on which the suffrage is exercised is a govern-

mental, a quasi-governmental, or a private property interest—in almost all governments, even in our own, these interests are so intermixed that the voter, electing a representative, affects, to a degree, all of them. Our form of government, however, makes some distinctions possible, which in those of a more concentrated character cannot be made.

The government of the United States offers us an example of almost purely governmental functions. The power to make war, treaties, and general laws for the safety of all alike, affects all alike. This government can bodily take any one of us, put us into the ranks of an army, and take us away from business, from family and kindred, to be killed or maimed.

Against this very great power there must be some protection lodged in each citizen; and rich or poor, all who may be thus subjected to military service, should be armed with the suffrage for their protection. Here, mark you, the element of protection is at its maximum, the element of aggression at a minimum in the hands of each individual. It is true that even Congress, both directly, as in the cases of Pacific railways, subsidies, tariffs, etc., affects private interests and trenches upon property rights of individuals, yet in the main it deals with the general interests, and private rights are affected in a general sort of a way only. The true function of the Federal Congress and administration is governmental, and not merely administrative, and the general popular suffrage

is the safest and perhaps the fairest basis for such a government. Everybody will admit that the rule which is applicable to this great general government would be woefully misapplied to a great corporation. The wildest demagogue amongst us would not be wild enough to suggest that the citizens of New York shall elect by universal suffrage the directors of the Manhattan Gas Light Company, although it supplies a great part of the city with light; although it is a monopoly, and hence ought to be, to some degree, under political control, yet, we all feel that as the works have been put up, the re-torts made, the pipes bought and laid, at private expense, by the raising of private capital, representing the economies and investments of individuals, that we should leave the control of the manner in which the money shall be expended or preserved, in the hands of the individuals who contributed it. To take control of these works by universal suffrage after their value has been created by individual efforts, and distribute these results of laborious efforts and self denial, by giving to each of the numberless many, who did not contribute, like voting power with the few who did contribute, would at once strike every one of us as an act of spoliation, scarcely disguised by the barren votes still left in the hands of the owners, who would be on every occasion outvoted, and whose proprietary interest would be swamped by the popular majority. Yet a great corporation, such as a gas light company, a railway or a great bank, has some few of the elements of a

government. It supplies on a great scale a public want ; its administrative functions frequently embrace more important and more delicate details than fall to the lot of town councils of small communities, and the general welfare of the community may even to a very considerable degree be tied up in the proper management of such a private enterprise, yet to such a case to extend universal suffrage would be generally recognized as spoliation, because in such a case the element of protection of the suffrage is at a minimum, and the element of aggression on the rights of others and the motive to aggression are at a maximum.

Between the general government, where the protective element of the suffrage is at a maximum, and the aggressive element at a minimum, down to a private corporation wherein the aggressive element of the general suffrage, if it were permitted to exist, would be at a maximum, and the protective element at a minimum, there is an infinite gradation of functions upon which the suffrage is exercised, through which we descend from government proper down to the mere administration of private interests under the form of government, and with this gradation comes the change of the character of the suffrage from its protective to its aggressive character, until it becomes almost exclusively aggressive. *The shield becomes smaller and the sword longer until we have all sword and no shield.*

The state, for instance,—as it affects every interest of a

man in every important relation of life, as father, husband, master, servant, guardian and ward, as it has the right to deprive of liberty and even life itself by judicial process,—so completely controls and influences each individual, that the suffrage is necessary to prevent the encroachment of class against class; although, however, for the very reason that it so actively interferes with private interests of every kind, the aggressive element of suffrage is almost as active as the protective, and class, party and monopoly advantages are as frequently obtained by means of the suffrage, as warded off by means thereof.

In municipalities, however, we cease almost entirely to deal with governmental functions proper, but under the forms of government, we deal with and act upon private property interests, and here we find the analysis which has yielded us the distinction of protective and aggressive elements of the suffrage hold true by the presentation of an almost exclusively aggressive character of the suffrage.

To illustrate:—During the middle ages there was no artificial light in the streets of the cities to guide the pedestrian at night.

The rich, when they visited each other, were carried about in sedan chairs, and, as you well know, it is only in comparatively recent times that the streets in cities have been made wide enough for the passage of carriages. These sedan chair bearers were supplied with

torches, and they made a specific charge for each light.

In process of time, pedestrians would hire servants to carry torches before them, and to-day, in some of the larger towns in Norway, and in some of the cities in the extreme South of Europe, (in Turkey and in Greece), you see the individual lamps accompanying the pedestrian as he goes out at night. Of course only those who had reason to apprehend that they might be robbed took the precaution to have lamps to guide their way and to guard against the danger of marauders. The expense of these lamps was borne by the people of property, precisely as all private expense for servants is borne.

The increase of refinement and general welfare increased the demand for light in the streets, and the men having property soon determined that it would be wiser to light up the streets of the city at the general expense, and that perhaps on the whole, it would prove more economical than for each one to hire some one to carry a lamp as he wanted it. They dedicated therefore a proportion of their property and of their expenditure to the general public, who did not contribute a single cent to this disbursement. Thereafter, even the poorest, who theretofore could not afford the expense of hiring servants or supply himself with lamps, could thread his way safely and in peace along the streets of a city.

Now, by what *hocus pocus* or legerdemain does this mere property expenditure become a matter upon which

universal suffrage is to be exercised, so that the vast numbers of people who contribute nothing towards this shall, through their agents, determine where the lamps are to be put up, how much they shall cost, and what expenditure shall be annually incurred to keep them trimmed and lighted?

Take the case of sewerage as another illustration. The cesspool to each particular house was a matter of individual expenditure for each particular owner of the house. Before the existing system of sewerage became established as a matter of sanitary legislation, nobody dreamed of taking a vote upon the sinking of a cess well, or the amount of the expenditure that shall be incurred: *that* each man determined precisely as he determined the other expenditures for the building of his house,

Principles of public hygiene, however, bring in vogue a sewerage system to carry away and off all unwholesome and offensive material to some point beyond the confines of the city.

Here again we are dealing with an expenditure of a general nature, it is true, but yet divisible into individual property interests borne by the owners of the property contiguous to the sewers. It is true that the improved sanitary condition inures to the benefit of those who do not contribute a cent to that expense. Receiving a gratuity does not however create a right, and it is upon no stouter thread than this mere gratuitous service, which

is thus rendered to the masses, that the claim can rest that they shall participate in determining who shall build the sewer, under whose direction it shall be built, and how much of an expenditure shall be incurred in the building thereof.

These are all private property interests in which to admit the suffrage by the mere counting of heads without regard to the interest that the head represents, is as absolutely destructive to the property which is subjected to that rule, as it would be for a great merchant to allow his clerks and his book-keepers to determine by an annual vote, the amount that the business shall expend upon salaries annually.

The answer that is ordinarily made to the position here taken is, that there is an interest on the part of every inhabitant of a community in the permanent welfare of that community, and that each inhabitant is as a consumer, a payer of taxes, however small a consumer he may be.

Suppose Mr. Claflin had upon that theory organized his business, and would say "Each one of my clerks is interested in the continuing of my business; each shares in the shape of wages the profits thereof, and for that reason I shall leave it to their collective votes how much shall be distributed annually in the way of salary among them, they won't take too much, because the business in the end cannot continue if they do." Would not his friends at once suggest a commission of lunacy to take

charge of his property, because everybody knows that the average man will sacrifice in nine cases out of ten his remote to his immediate interest: that the immediate advantage to be derived from a present distribution of other people's property for our benefit, is so tempting that it requires great foresight and heroic virtue to refuse to avail ourselves of such a temptation in the expectation of a remote gain.

Besides, men are actuated *not* by their true interests as *we* understand them, but by their interests as *they* understand them.

A few political economists may know, and by careful analysis be able to demonstrate that the consumer pays a large proportion of every tax that is laid upon the community, and that even the lowest class voter pays a small proportion of that tax, yet before that fact can be expected to be a potent element in influencing conduct, it must be known, appreciated and acted upon; and when we take into consideration the dense ignorance upon politico-economical subjects, exhibited in our halls of legislation, even in the senate chamber at Washington, how can we expect so abstruse a politico-economical fact to find its way to acceptance, and be acted upon, by people who are ground down by their daily toil, and who have not the time to make politico-economical studies.

The statement by the advocates of universal suffrage in cities of the fact that the consumer pays the tax has be-

come a gross exaggeration. Generally, it is true that the consumer pays the tax; but, whether or not the owner of property can wholly or in part shift this payment upon the tenant, is dependent, upon a great many conditions.

When the tax comes to be so heavy as -virtually to amount to confiscation, he cannot shift it at all.

When the demand for houses is light he can shift it in part only. For instance, when the taxes in the cities of Charleston and New Orleans, in recent years, amounted to the whole rental value of the property, it was not the tenant who paid the tax, because in the great majority of instances the tenant paid less in rent than the owner was compelled to pay in taxes; and had the owners of property by common consent insisted upon having their houses bear an interest upon their value together with the taxes, such cities would have been depopulated.

Therefore it is true only in a qualified sense that taxation can be shifted from the shoulders of the owner to the occupiers.

But suppose the tax is shifted, and that every voter who occupies a room at six dollars a month, pays *fifty cents a month* tax, will that deter him from voting for an alderman who promises him employment on the public works, at *fifty cents a day* more than he can obtain elsewhere?

To him the tax, did he realize its payment, is small compared with the advantages which he expects to derive from this combination; therefore, granting that

everybody is possessed of a knowledge of politico-economical science, yet there is an enormous difference between overcoming the true general interests of the rich man by any individual motive, and the true interest of a poor man by an individual motive.

Take the extremes of an Astor and our occupier of a single room. To induce Mr. Astor to consent to an increase of the half of one per cent. on the tax that he pays, it might be necessary to show him an advantage of a quarter of a million dollars. In the other case ten dollars will outweigh the disadvantage of a rise in the general rate of taxation of one per cent., and hence universal suffrage in cities, exercised on expenditures to be incurred, or debts to be contracted, which admits those who have no property on precisely the same basis with those who have property, is a mere invitation through the instrumentality of the taxing power to make a communistic division of the property of those, who, by self-denial and industry, have accumulated what they possess; and this invitation has been accepted and acted upon fully and amply, to the confiscation of a great proportion of the accumulated material wealth of our cities. The taxes exacted in our large cities amount to almost 3 per cent. on capital. According to the best approximative estimates of the earnings of our people the amount which is carried to annual accretions of capital does not exceed 3 per cent. Hence, already we must fall upon very prosperous times to save surplus over the tax gatherers share.

Let us look at the results in a few of our larger cities in the United States, in the last few years :

CITIES.	1860.	1875.	INCREASE PER CENT.
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POPULATION.

Brooklyn.	266,661	484,616	82.7
Newark.	71,941	118,716	65.2
New York.	813,669	1,046,037	28.5
Philadelphia.	465,529	738,724	30.6
Providence.	50,666	100,675	98.7

TAXATION.

Brooklyn.	\$1,969,794	\$8,141,635	313.4
Newark.	317,417	2,091,339	558.8
New York.	6,085,448	32,312,812	430.9
Philadelphia.	2,517,209	10,518,462	317.8
Providence.	325,538	1,768,343	443.3

INDEBTEDNESS.

Brooklyn.	\$7,905,246	\$36,115,000	356.9
Newark.	316,000	8,716,000	2,658.2
New York.	23,239,671	140,379,103	504.1
Philadelphia.	24,029,755	60,622,132	152.3
Providence.	1,400,000	8,818,046	529.8

If a tree is to be judged by its fruit, our system must be judged by this result.

We have misapplied the suffrage ; we have made it an element of confiscation. We have discredited it for its proper purposes, and those most friendly to the permanent interests of free institutions, and their dissemination throughout the world, should be most jealous to prevent such misapplication of correct principles.

It is difficult to determine how much the maladmin-

istration of American cities has already checked the growth of liberal institutions in Europe.

England, under the leadership of Gladstone and Bright, was rapidly assimilating its institutions to our own, when the revelations of 1870 and '71 of the Tweed Ring, the outrageous mismanagement of the Erie Railway, and the corruption of our Judiciary, gave conservative Englishmen pause, changed the current of popular opinion in England, and thereby most certainly aided in elevating to power a conservative ministry, and to keep them there thenceforth.

If any one of you were to select an executor of your little estates, and to appoint a guardian of infant children, whom among your friends would you select for the purpose of performing that trust? Would it be some idle, good-for-nothing fellow, who has arrived at middle age, and who has been chronically unfortunate; unqualified for anything, and who never has been able to accumulate anything? Clearly not. You would say, "Such a man as that, even if he is not dishonest, if he won't eat up the trust by his personal expenditures, is a shiftless fellow; would fritter away the little money that I would leave for the benefit of my children in bad investments, and extravagant expenditures, and would at best not understand its management." And yet you place the vast interests of this city, with a trust requiring an expenditure of thirty millions a year, in the hands of a class composed, to a large degree, of people of that kind.

There are governmental functions proper in a city, and as to them, it would be unjust to limit the popular suffrage.

A city has a Police, Fire and Sanitary Departments; a Judiciary, exercising governmental functions; a Mayor, who in some degree is charged with duties of a governmental character; a Board of Aldermen, who, although dealing with matters of private concern to a considerable degree, yet exercise also governmental duties. Therefore, the Commission, of which I had the honor to be a member, in dealing with this subject, recommended, in respect to all these officers and offices, that they shall be elected by universal suffrage, or be filled by appointment by an officer thus elected.

Only as to those officers, who are to determine on permanent debt and disbursements, having no other functions or power, was it recommended that a discrimination be made, which shall place us upon some sort of a business basis.*

* In 1875, Gov. Tilden drew attention in a special message to the growth of the debts of the cities of the State of New York, and to some of the causes which brought about their mis-government and showed some of the consequences to which such mis-government would lead. In conformity with his recommendation the Legislature authorized him to appoint 12 Commissioners to take the whole subject into consideration and report to the Legislature. Accordingly Gov. Tilden appointed as Commissioners Messrs. William M. Evarts, William Allen Butler, Oswald Ottendorfer, Edward Cooper, Samuel Hand, E. L. Godkin, John A. Lott, James C. Carter, H. F. Dimock, Simon Sterne, Joshua M. Van Cott, and Martin B. Anderson. All except the last named accepted, and ten of the eleven Commissioners united in a report recommending a series of constitutional changes

Indeed, so obviously fair and just is all this, that if it did not injuriously affect the demagogues in the larger cities, there could not, and would not be an outcry against it. As there is no argument to be found against the proposition I advocate, the demagogues and their friends misrepresent every man who earnestly urges this reform upon the consideration of the public, hence, when I said at the recent Steinway Hall meeting, "that all that was sought to be accomplished by the Commission of which I was a member, was to exclude the incorrigible bummer, and the hopeless pauper, from being integral parts of the *financial administration* of a great city," a great hue and cry was raised, that I had said that all who were excluded from voting for the Board of Finance, were bummer and paupers.

I am very far from thinking, or saying, that men who have not \$500 of personal property, or who do not pay a rental of at least \$250 a year, are bummer and paupers.

I believe that many worthy men will be excluded by any arbitrary line which may be fixed, but the rule is intended permanently to exclude a certain objectionable class, whose participation in the vote results in bad government; and if, in making a line of demarcation, good men find themselves outside of that line, it is a

and safeguards to be known as a new article of the State Constitution in relation to cities. The recommendations in this report were voted upon by the Legislature of 1877, resulting in an acceptance of and passing the amendment. Before it can become operative it must be voted upon by the Legislature of 1878, and by the people at such election as the Legislature may direct.

hardship of precisely the same nature, under which exceptionally public spirited women suffer, by the exclusion of their sex from the polls, and which exceptionally bright and intelligent young men must bear, because under the age of 21, and who are excluded from the polls on a theory that they are politically immature.

One word to those who may feel themselves unjustly excluded from participating in voting for the Board of Finance. To them I say, that if they have any expectation of accumulating any property in future years, or even hope that their children may be prosperous—if well meaning and honest of purpose—from their own point of view, it is wise to surrender a right which can do them no substantial good, but the holding of which enables the sinister and dangerous classes to get control of government, and thus undermine the prosperity of our municipalities, upon which prosperity is dependent the livelihood of the masses, and indeed of all our honest and industrious poor. Besides, there is no permanent exclusion, and none intended, which a little frugality and care will not overcome, and it may be well to have that additional incentive to such frugality and care. I say to the poorest in our community, "What has the politician done for you?" He has increased the tippling houses, and, therefore, placed at the door of every poor man in the community additional temptations for the expenditure of his money. He has increased the taxes to such a degree that the expense of living in a large

eastern city has become such, that we can no longer successfully compete in business with some of the newer cities of the west, and consequently a large proportion of the trade, which formerly had its home with us, to the exclusion of every other part of the United States, has, to a great degree, departed, and is, in a still greater ratio, now departing from us.

The politician has built miles upon miles of boulevards, not wanted for building purposes for a generation or more, to subserve his interest as a real estate speculator, and to promote the interest of his friends, real estate speculators. To do this, he has left the densely populated portion of our city, more especially that part occupied by the less fortunate of our people, in wretched filth and dirt, with bad sewers, with badly ventilated houses, with a Building Department that allows tenement houses, which are mere traps, to be put up, in disregard of the safety or health of its inmates, the foul air of which sweeps away the children of the poor into the arms of death more rapidly than in any other city in christendom.

Our system of universal suffrage, as applied to cities, has created the success of Tweed, Sweeny, Connolly, and kindred rogues, who, while they distributed coal to the value of \$40,000 in some of the districts of our city, took away, at the same time, the means whereby the men lived to whom they sent that coal.

All public robbers and tyrants extend the suffrage,

with a view of striking centres of ignorance and prejudice, upon which they can base their power, so as to be independent of the intelligent middle class, which has always been the conservator of liberty, and the safety of the state.

When Napoleon III. seized power by his *coup d'état* in 1851, he issued a universal suffrage proclamation, simultaneously with disbanding the *corps législatives*, changing the voting population, which down to that period did not exceed a million and a half, to upwards of eight millions.

In our own city, after the Tammany chiefs were shown to be a band of thieves as vulgar and as brutal as any that ever made the forests of the Appenines insecure, there were more than 40,000 voters who gave to them and their system their suffrages.

After such an exhibition of the political motives of 40,000 people, who live amongst us, some plan by which they shall be eliminated from the power to handle other people's moneys, can certainly not be considered an unjust or an injudicious exercise of power on the part of the other citizens of this city.

If the evils of excessive taxation, extravagance and speculation, in relation to the administration of municipal affairs, were common to the conduct of city government the world over, it would, of course, be unjust to lay them to the door of unrestricted and indiscriminating suffrage.

Some ten years ago, Mr. Chambers boasted, in the English House of Commons, that there was no money expended, in any private enterprise, in England, more frugally and wisely than that which is expended by the boroughs of England in their municipal affairs ; and a friend of mine, who has recently returned from England, assures me after carefully examining into this special subject, that the boast is well founded.

A report recently made, to the Cobden Club by Sir Charles Dilke, Thomas Webb Ware and William H. Archer, on the local government and taxation in the Australian colonies, shows that in those colonies the administration of their cities' affairs is conducted with scrupulous honesty and for the general welfare.

In France, in Germany, in the Netherlands and even in Spain, the affairs of cities are administered with a proper regard to public health and welfare, and with scrupulous honesty, and in none of those countries does universal suffrage with reference to the administration of city affairs exist.

In England with the exception of the city of London, the Borough elections are upon a uniform plan of three councilmen elected for each ward in a city by the rate payers, who are occupiers of premises in the ward, either as owners or renters. The aldermen and councilmen meet as one body, and they, at a specified time, elect the mayor. There are certain qualifications of considerable property for aldermen and for mayor. The councilmen and alder-

men are elected for three years, one of each ward going out each year, so that there is an annual renewal of a third of the body.

And here let me draw attention to the fact that the English system of taxation which collects its taxes and poor rates from the occupier, and not from the owner, awakens attention to public expenditure to a degree which is unknown to us. All the truth that there is in the politico-economical doctrine, that the occupier pays in the end, all the taxes, is brought home to the voter in its most concrete and palpable form by the appearance of the tax gatherer at his door; and when his poor or borough rate is increased one fourth of one per cent. in a year and appears on the roll as one pound ten instead of one pound nine and six pence, he will want to know why that extra sixpence is imposed.

In Australia, while the election for the local legislature is quite as free as with us, the election for town and city officers is limited to the rate payers occupying property of a rental value of at least fifty pounds, on which the rate payer receives one vote; if he occupies property rated at a rental of more than fifty pounds and less than a hundred, he has two votes; if he occupies property rated at a rental of one hundred pounds and more, he has three votes.

Therefore when we find a municipal condition of general peculation peculiar to this country, accompanied by a political structure also peculiar to this country, we

have a right to assume that the one is cause and the other effect, otherwise we would have to admit, what I will not admit, that the average common honesty is far lower in our country than it is in any other where cities abound. I contend, on the contrary, that if elsewhere they were to afford the same opportunity that is offered here to those who have nothing, in large cities, to determine how much of the contents of other people's purses shall be taken under the guise and form of taxation, that human nature would there assert itself as it has here, and we would discover possibly, that our "boss" politician might be justified in saying with Clive, "I am astonished at my own moderation."

That the principles of limitation for which I am herein contending, are gradually forcing their convictions upon, at all events, the best class of minds in our country, is indicated by the remarks on this subject which we find scattered through the recent work on political science by ex-president Woolsey of Yale. He says, in relation to municipal government, "Still more important is the question of whether all the citizens ought to be allowed to vote on, or indirectly through their representatives in town councils to influence, the raising of taxes. If our principle is correct, that none who do not own property should vote for representatives who lay taxes on property, the mass of city proletarians ought to be excluded from the polls where tax levying councilmen or officers are elected." Mr. Woolsey, one of the ablest

writers in this country on political subjects, would not use such words unadvisedly.

Indeed, with reference to the city administration, more especially that part of it which relates to the raising of taxes and expending of public moneys, the axiom which our revolutionary fathers laid down, the disregard of which by England justified resistance "No taxation without representation," should be inverted, and should be "No representation without taxation."

It is said that it is useless to ask people to limit the franchise when they have once exercised it. I am not so sure of that. People have exercised the right of building in large cities wooden shanties and have discovered that the exercise of that right resulted in conflagrations which destroyed not only the shanties, but brown stone front dwelling houses and granite and iron warehouses.

In Boston they have exercised the right of putting up wooden mansard roofs on granite blocks of great warehouses, and the exercise of the, until then, undoubted right of everybody to build as he pleased, resulted in the almost total destruction of the best part of Boston.

As the conflagrations in Boston and Chicago awakened the minds of their citizens to the necessity of limiting the right of people to destroy their own property and that of others, it may be hoped that the statistical tables of the growth of city indebtedness may result in a limitation of the causes which have brought about the condi-

tion of affairs therein illustrated. As bankruptcy must follow the pursuing of our present course, the question presented to our industrious working classes is quite a simple one. If you resist this limitation or some plan of minority representation in lieu of the existing domination of the majority as an invasion of rights, the only result of standing out in this way will be the depopulation of our cities, whereby you will lose not only the suffrage in the city, but the means whereby you live.

As it is quite possible, however, that the limitation question may be determined adversely by the popular voice, or that our Albany statesmen may not submit the question to the people, are we then hopelessly in the mire? Not yet; there is still a way by means of which a great reform may be brought about. Ignorance and prejudice have made my road to induce my fellow citizens to accept this reform, a difficult one indeed. Yet I am not without hope that in lieu of the acceptance of a limitation of the suffrage, should that be rejected, I, or some stronger man, or stronger men, may secure its acceptance. It is the one reform which I emphatically advocate, independent of any question of limitation, and does not involve limitation of suffrage. I refer to what is ordinarily known as "minority representation," which is more accurately described as totality representation.

As the men of little or no property exceed the well to do in numbers in almost every district of this city, it follows

that in electing our representative for each district and giving exclusive representation to the majority, those having but little or nothing outvote the larger property interests of each district. Hence there is no representation of property as such in our municipal administration nor in our state government. If, on the other hand, our city were divided into large districts for the election of a board of councilmen of fifty, giving ten to each district, it would afford an opportunity to let each tenth of the voters in that district elect by some system of minority representation one of the councilmen; so that the ten councilmen from a district shall fairly and adequately represent all the voters therein instead of a mere majority—then whatever interests of property there would be in each district, would be represented in the board of councilmen. The conservative element, therefore, would have an adequate representation in the city government, in proportion to its strength, and if a large majority, say of two-thirds or three-fourths were required to assent to the tax levy, or the creating of permanent debt, the conservative interests of municipalities would be armed with a veto upon extravagant and wasteful measures.

Such a plan as I have suggested would operate in disintegrating the political parties as to municipal affairs, by leaving freedom of choice within party lines, thus breaking up the domination* and power of the machines.

Pray what free choice is exercised by any intelligent voter in the community, when he goes to the polls to

vote for an alderman? A Tammany machine presents him one set of candidates. The anti-Tammany machine presents him another set of candidates. The Custom House machine presents him the third set. The respectable voter, in all probability, knows nothing of a single name upon either ticket, the more respectable the voter, the less likely is he to know a single name upon it.

The pressure which is now brought to bear upon the voter, to vote at all for such candidates—which, for aught he has to do with nominating them, might as well run for an office in Patagonia—is that if he is a party man, and refuses to vote for his party man, the chances are that the partisan of the opposition goes in, who is likely to be no better morally, in addition to having, from the voter's point of view, worse political principles, and the voter therefore votes for the candidates presented by his party.

This system practically has as completely disfranchised the respectable elements of our city voters on municipal affairs, as though a law were passed, depriving them of the right of going to the polls.

We thought that it was money and life well expended to secure the freedom of the negroes in our southern states, and to wipe out the blot of slavery from our escutcheon. Our better class voters, in our larger cities, are as much disfranchised in effect, although in theory and in practice the ballot is given to them, as any plantation negro was anterior to 1860.

What the vote amounts to in our city, in the hands of our best voters, was described by Dr. Crosby, in a little interview with a reporter, immediately after the late election in this city. The *World's* paragraph as to this interview, published a day or two succeeding the election, reads as follows:

"A card having appeared in the *Evening Post*, denying a report which had obtained some currency, that Chancellor Howard Crosby had voted for John Morrissey for State Senator, a *World* reporter called on Dr. Crosby last evening, finding him just starting on his way to Chickering Hall. 'I did not vote for Mr. Schell,' said he, 'because he represented Tammany Hall, and I did not vote for Mr. Morrissey because he is a gambler.'

"'But you did vote?' said the reporter.

"'True. I voted for Prof. Doremus.'

"'Not, of course, to help elect him?'

"'No; I only expressed my individual preference. Of course it was all moonshine. I simply threw my vote away for the reasons I mentioned.'"

Does not this fully illustrate the hardship of the position of an American citizen, who, because he is a man of education and refinement, is made to feel that his vote is mere moonshine.

Would it, under the existing system of party caucus nominations and elections, exclusively in the hands of a dominant district majority, be a serious deprivation think you, to Dr. Howard Crosby, and men similarly,

situated, to be deprived by law in municipal elections of the barren privilege of going to the polls, so long as he and they are made to feel that the votes that they now cast are as insubstantial for any real good in government as moonshine?

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BY

WILLIAM G. SUMNER

Professor of Political and Social Science, in Yale College

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PROTECTION AND REVENUE IN 1877.

SIMILARITY OF ALL STRUGGLES TO REFORM ABUSES.

IT must be assumed, in any controversy about a matter of public interest and importance, that the parties to the controversy are candid and sincere in the desire to find out what is really true and wise, that is, what will be permanently beneficial to all. When the controversy is about some old abuse it cannot assume this shape purely and simply. Vested interests always grow up under an old social or political abuse, and no vested interest ever yet voluntarily sacrificed itself. On the contrary, interested parties always make vigorous defence of their privileges and their mischievous advantages. They have a stronger and more personal interest to organize, to spend money, and to work in defence of the wrong they enjoy, than others have to overthrow it. We see instances of this in the history of the struggle by which all abuses have been corrected. Privileged classes and orders of nobility have been dislodged from their privileges only after long struggles and bloody revolutions. Sinécures and pensions and rotten boroughs and the sale of commissions in

the army, and established churches, have been overthrown, so far as they have been overthrown, only after vigorous conflicts. Our own history furnishes only one great instance, because we inherited only one great abuse. The overthrow of slavery, however, is a startling instance of what it costs to bring truth and right to pass, of how hard it is to vanquish prejudice and interest, and of the vigorous defence which vested interests make to every step of progress in truth and enlightenment.

The history of the conflict with these abuses brings out distinctly one or two other features of such struggles which we ought to notice.

1. In the first place *the mass of the people who suffer under the abuses are slow to perceive them*, and can only be stimulated to rise against them by great effort on the part of a few. The notion that every man can be left to see and reflect for himself and by some kind of spontaneous consent to meet others of similar intelligence in a common judgment and will, has no foundation in fact. The sphere in which a man is born and lives bounds his notions of what is proper and possible, and at most he judges from the examples he sees before him of success in life, what chances he has of bettering his condition, and what methods he should use to that end. He will not be actively discontented so long as his circumstances do not become worse, much less if they are really improving, and if the examples of great success which he sees and hears of are those of men who grow rich by stock-

jobbing, "financiering," creating monopolies, lobbying for subsidies, or political scheming, he will not be likely by his own intellectual energy to perceive how many other roads to success, of a higher and more permanent order, might be open to him under another state of things. Such knowledge can only be won by study and travel, and the wide experience of life which enables men to see what might be as well as what is, and to escape from the limits of tradition and prejudice.

2. The second feature worth mentioning in the history of conflicts against great abuses is that *the defenders of abuses always conduct the defence by special pleas* of all sorts and descriptions. The special plea for Robin Hood and Dick Turpin was that they gave liberally to the poor. The special plea for class privileges was that they sustained culture, refinement, and art. The special plea for monopolies was that energy and enterprise needed a stimulus and reward, and that monopolies produced arts which otherwise would not exist. The special plea for a state church is that it secures a corps of agents of civilization scattered into every hamlet. The special plea for rotten boroughs was that they enabled able statesmen to be kept in public life when they could not get elected by popular constituencies, at any rate without great expense. Many of these pleas are not without force, for few things are altogether evil, as few are altogether good. Special pleas in behalf of abuses have no coherence or consistency. They always eventually destroy

each other, but when taken piece by piece they have no little popular effect. They do what the defenders of an existing abuse always want to do, they obscure and confuse the question. A glittering commonplace, or a burst of patriotic gush, or an appeal to some popular prejudice, will outweigh the closest and most irrefragable argument. Such means have sustained for generations institutions and abuses which every school-boy is now taught to despise.

Our free trade controversy presents anew all the same features of these old struggles against ingrained abuses. Public opinion can only be enlightened by great and prolonged effort to understand the mischief done by the protective system to wealth, and to all which depends upon wealth, viz., morals, education, culture, civilization, and national greatness. The opposition which we have to meet, also consists in the reiteration of platitudes, special pleas, misrepresentations of history, both here and abroad, inferences mixed up with facts, facts misapprehended, and vigorous denunciations of want of patriotism. We cannot join issue on any proposition or set of propositions on which a discussion can be carried on by established methods, to a clear result. Even those of our adversaries who claim to stand generally on the platform of right reason and common sense, and to be disinterested, are not ashamed to treat this question with ignorant and flippant neglect or contempt. Now when we consider that a very large body of persons, respectable in every

point of view, claim that this question involves the most important consequences for the welfare of the whole people, it follows that those who treat it with neglect or contempt, simply bring in question their own good sense or their own good faith.

It is important then to distinguish between the protectionists who think that free trade threatens their own-vested interests, and those who believe that protection is a sound theory of national wealth. For the present I leave aside the former class. The pensioners and sinecurists declared that the greatness of England would depart whenever their incomes were cut off. Nothing could exceed their contempt for the meanness of a great nation which refused to tax the people a farthing a head to sustain a brilliant coterie of gentlemen and ladies as ornaments to the country. They declared that there were moral, social and political advantages of high importance which depended on keeping up the coterie in question. Our protectionists have made us familiar with the same old round of platitudes. A man who enjoys or thinks he enjoys advantages from an arrangement, will not easily be led to consent that this arrangement shall be abolished, because it is won at the cost of others.

PROTECTION LESSENS WEALTH.

Our effort is better directed to show to those who suffer from the protective system, wherein and how they suffer, and to convince those who believe in protection

as a theory of national wealth that they put their faith in a delusion. It is in regard to this class that the assumption I made at the outset must be taken to hold good: that we are all candidly and sincerely bent on finding out which theory is sound and true, that of protection or that of free trade. My proposition is *that protection lessens the wealth of the country*. That is the proposition on which this free trade controversy turns, and it is upon this proposition that the issue ought to be made, if our antagonists could be brought to a discussion which should be fruitful, as between men who want to find out what is true. Wealth, of course, is always a matter of more or less. We want the most we can get with the means at our disposal. The question of free trade *versus* protection is only a question of method of employing our means so as to make them most efficient. When, therefore, I say that protection lessens wealth, I mean that it prevents wealth from being produced up to the point it might have reached with the means at our disposal.

MORAL AND SOCIAL CONSIDERATIONS.

No sooner is this proposition set up, however, than our adversaries fly off into vague declamations about national independence, morals, culture, patriotism, etc. If protection did not exist in this country, as a matter of history and tradition, and if it never had existed anywhere, and if some men should now undertake to preach

it as a theory for increasing wealth and civilization, they could not find a score of followers in the United States. The argument for a state church supported by taxation, for moral and political purposes, is a thousand times stronger than that for protection. It is admitted however that if one man resents the imposition of a tax for a state church it is wrong to lay it. The same is true of protection. If the whole argument about moral and social advantages from protection were sound, yet it would hold true that to raise one cent of tax from one resisting tax-payer for that purpose was an indefensible wrong. As I understand it, we are engaged in an economic discussion, which is a discussion about wealth. We want to know how to make labor productive of the greatest possible amount of wealth. All the questions of morals, culture, and patriotism turn upon the use to be made of wealth after we have obtained it. As for the means of obtaining it, they exercise their own moral culture. If we pursue wealth by the methods of industry and economy, under liberty, we shall only gain morally. If we pursue it by selfish struggles to rob each other, under some specious theory, we shall only waste wealth, and not create it. The modern industrial machinery has introduced many fallacies among those who fix their attention on its external workings, or on those phenomena of it which catch the eye most readily. It looks as if financiering and other devices of combination and adjustment created wealth. No combination or coöpera-

tion or association of any kind creates any wealth at all. The only factors in the production of wealth are labor, capital, and land, and until we can make something out of nothing, we may as well settle to the conviction that no device whatever will create wealth unless it acts through one of these three factors. Coöperation and association, that is division and organization of labor, exist in the nature of society. They do not wait for systems to be invented to put them in operation. The philosophers who talk much about association, want to take society to pieces for the sake of putting it together again, according to their notion. Fortunately they cannot do it. Physiologists might as well plan some new organization of the human body.

Every new invention for facilitating transportation or spreading information binds the whole human race into closer organization, and this natural and necessary coöperation is developed by the very fact that it assists production. How does it do this? Simply by acting on the *methods* of using the means of production. It makes labor more efficient, or it economizes the use of capital, or it renders available new and rich land. The same is true of all the civil, financial, commercial, and transportation machinery. It creates nothing, but it adds to the utility of products by bringing them to the places, or into the hands, where they can be used with the greatest amount of satisfaction to human needs, or it puts capital in the hands which can employ

it best, or it prevents waste and loss, or it secures possession and enjoyment to the person who produced the goods. We should put no faith whatever in any vague theory of combination or coöperation unless we can analyze it and see just how it is to act upon the forces of production, labor, capital, and land, to *lessen* labor in proportion to product, or to *increase* capital and economize its use, or to bring the resources of the earth within our reach for less labor. Any notion which evades this analysis and asks us to put faith in it that, in some way or other, which is not explained, it is to be a means of increasing wealth, is not worth considering. When we are treated to declamation about culture and morals, instead of discussion of the matter before us, then we know that we are dealing with bigotry, or prejudice, or self-interest. Beneficence and business are never combined without injury to both. We are ready to discuss all the moral and political aspects of the question about protection, for we deny that they are hostile to those aspects of the question which are purely economic. On the contrary, we affirm that it is a total misconception of the relation of the various interests of man to represent them as antagonistic, so that we must seek one set of means if we want to reach wealth, and another if we want to reach health, and another if we want to reach civic greatness, and another if we want to reach culture and moral strength, and so on. We affirm that the means to all these ends are cognate and harmonious, and that

true views of all these ends and of the means of reaching them, produce no antagonisms or discords. If the methods of trade are such that a man often thinks he must choose between sacrifices of wealth, and sacrifices of rectitude, it only proves that the methods of trade are economically bad. I say *economically* bad, for they are not such as conduce, in the long run, to success in the pursuit of wealth for any, or for all. I return then to my proposition that protection lessens national wealth. We must take the population, and the national character for energy, enterprise, industry, and economy as they are. This determines the factor labor. We must take the amount of capital as it is. We must take the land as it is, in regard to its fertility and relation to the market. We might, having these factors as they are, reach a certain degree of comfort and material well-being for the whole of our people, each according to his share in the work of production. Protection lessens this scale of comfort and well-being which we might enjoy. Let us try to see how this is brought about.

MANUFACTURES VS. AGRICULTURE.

We protect manufactures at the expense of agriculture. The farmer is told that the whole laboring population would go into agriculture and compete with him, if there were not protection, and he is told to contribute to a fund to make up the losses of manufacturing, so as to keep off this competition. He will do well, before buying off competition, to count the profit and loss.

It is complete folly for him to give a cent to buy off competition, because he cannot buy it off. How can any one buy off competition when competition is free? He would have to buy off forever. No one would dream of buying off competition save from a monopoly, where he could recover his losses by raising his price. Nothing in the world is less a monopoly than our agriculture. Even cotton is no longer a monopoly. Foreign competition is active. Of the English imports in 1877 the proportion from different sources was, America, 2,902,000 bales; Brazil, 363,000; Egypt, 522,000; West Indies, 86,000; East Indies, 997,000. Total 4,870,000 bales. (*Economist*;—Commercial History of 1877, p. 33.)

Our agricultural products have their prices fixed by supply and demand in the world's market. Those who talk to the farmer about a home market have never told him how a thing could have two markets. If then the American farmer should buy off American competition he would simply reduce his own profit to the benefit of his foreign competitor.

“THE ENGLISH WOULD CRUSH OUR MANUFACTURES.”

Some people have a bugbear to the effect that, under free trade, English manufacturers would sacrifice capital to crush American manufactures. They attribute to the English manufacturers the stupidity which they ask the American agriculturist to commit. If the English were such foolish business men as to go into any such enterprise, they would not be very formidable competitors.

If the English manufacturers of any commodity should try any such thing, how many of them would join in it? It is inconceivable that they all would. Certainly no combination of English, French, Belgian, Swiss, and German producers could be made for any such purpose. Those who did not enter into the enterprise would be driven from our market while the effort was in progress. Those who made it would meanwhile be losing capital rapidly. Let us suppose, for the sake of argument, that they succeeded, after losing several millions, in crushing American industry in their line. They would then have to restore the price, not simply to its old level, but above, in order to recover their losses. As soon as they attempted this, their competitors, English or continental, could step in and take the market, not having any losses to make up, and the American manufactures would start up again. The result would be that the clever men who made the "sacrifice" would have weakened themselves just that much in the competition with continental and American producers. Can we make foreigners pay us what we choose for wheat, cotton, tobacco, and petroleum? Yet, as producers of these things we have special advantages. How then could any foreign producers make us pay arbitrary prices on manufactured goods in which there is the widest facility for competition? It only shows the amount of economic intelligence which protection produces that this notion is widely held in the United States, and that one has to soberly refute it.

The American farmer who hires somebody to stay out of farming here, is all the time giving advantage to his foreign competitor. If he keeps out any competitors, he bears all the cost of it, but all the producers of agricultural products in the world share the gain.

"THE DIVERSIFICATION OF INDUSTRY."

It may be worth while here to try to set forth the true principles of national industry, so far as concerns the distribution of industry.

We want, each of us, the greatest possible amount of goods for a given expenditure of labor and capital. In every country the possibilities of production vary. Competition between countries or districts exists as to some articles and as to others it does not exist. The latter are the products for which the country has exceptional natural advantages. In coming into a new country the population find employment in its peculiar and exceptional advantages until their own production carries the supply so high that the return falls. The country *could* produce almost anything. Labor and capital could make sugar grow in New England, if we would expend enough of them. Let us then represent by 100, the productiveness of one industry or of each of a few industries which have the highest advantages in the country in question. This means that a producer of the commodities for which the country has the highest advantages exchanges his surplus for all sorts of goods to

consume and enjoy, and the amount of wealth which he thus obtains shall be taken as the standard: 100. This represents the degree of utility obtained by labor, or the highest scale of comfort attainable in the country in question by one man with the necessary amount of capital to carry on that industry to the best advantage. The thing upon which we want to fix our attention, from first to last, is the scale of comfort or material well being attained. Of the other possible industries in the country in question, some would produce 99, some 98, some 97, and so on down as compared with the most remunerative industry, taken as 100. The country might have peculiar advantages for several of these industries, but would meet with foreign competition, we will suppose, on the one at 95, and on all below. The desire for the *maximum* profit would carry the whole population into the one, or the ones, which would pay 100, and although there were no foreign competition on those which would pay 99, 98, 97, and 96, yet they would be neglected. (Cotton in the cotton belt is an example. Gold in the best days of Australian gold mining is another.) As soon as the population was so numerous as to greatly increase the supply of the articles which pay 100, the return might sink to 99. Then the industries which would pay 99, would begin. When it fell to 98, others would begin, at 97 and 96 others, and so on down. The whole population would thus be occupied to the maximum of profit, taking land, labor, and capital as they were at any moment. When

the profits of all home industries had fallen to 95, the home production of the product which pays 95 would begin, and so on. The introduction of home productions in a new country goes on naturally, just as fast as it is necessary on account of increased population, and possible on account of diminished profits. The home manufacture of things previously imported is a sign that the first and highest natural advantages of the country are exhausted. It is not a thing to be rejoiced over or hastened at all, but it comes just as it is best for the country that it should come, to employ a larger population. Foreign competition is of no importance whatever if we do not run to meet it before the time, and abandon arbitrarily what would be more profitable. Here is the whole fallacy and error of asserting that we cannot meet foreign competition. We cannot if we go to meet it and abandon what would pay better here, and it is in this last point, as we shall see, that the explanation of the true principle lies. If we cannot compete, it proves simply that we do not want to, because we are better employed. Whenever we need to compete we shall be able to.

If, however, we insist upon it that we will live here, and will not conform ourselves to circumstances here, but will try to have our own way in selecting what things to do, in spite of facts and circumstances, we immediately come in contact with the fact that no one wants to be the one to take up an industry which is less

productive than the best. If, while some industries pay one hundred, the legislator setting his genius at work, decides that we ought to be doing what will, under foreign competition, pay only ninety or eighty, he cannot get any one to go off into those industries unless he makes up the difference, and as he has nothing to make it up with, he joins somebody, who thinks he sees profit to himself in the same distortion of industry, in concocting a plan to make the independent industries bear this cost and loss. On the 5th of April, 1877, the country was informed by the Associated Press that the classifications and rates in the Wood Tariff on iron and steel had been adopted as proposed by the Iron and Steel Association, and that those gentlemen were "satisfied." It is to be hoped that the country was gratified by this intelligence. The committee of Congress, elected to maintain the interests of the whole people, had given away those interests to the clique which wanted to plunder them, in such measure as the clique itself had been kind enough to say would be satisfactory to it. This is the protective system.

WHAT IT COSTS THE FARMER TO BUY OFF COMPETITION.

The normal and independent industries of this country are agricultural, and their product may be taken at the standard: 100. In 1870 there were twelve million men, women and boys engaged in agriculture, and we may say two million laborers in protected industries.

The protection has averaged 43.61 per cent. on dutiable goods for the last eleven years, and the protectionists say it is none too much. Hence it appears that, in order to get two million laborers out of agriculture, it has been necessary to engage them in employments which needed, on the average, $43\frac{1}{2}$ per cent protection. If, then, the productiveness of agriculture be taken as 100, the natural and normal productiveness of the protected industries is, on the average, 69.68 ($143\frac{1}{2}$ per cent, or $69.68=100$). The two million will not go into these industries unless they receive the same remuneration as the agriculturists. When it is said that we "cannot compete," it means simply that we cannot produce at the same price as the foreigner, and yet make the wages and profits earned by Americans in agriculture. It is impossible for any one to discuss the tariff question until he has mastered this principle. It is the explanation of the fact that men continually assert that they can make this or that better and cheaper than the foreigner, yet demand protection. They can produce better and cheaper than the foreigner absolutely, but they cannot make the wages and profits won by their American neighbors, and of course that is what they expect and demand. They must be subsidized by the normal industries.

Now everything taken from the twelve million agriculturists and distributed among the two million protected, lowers the net final remuneration of the former and raises

that of the latter. The proportion in number of persons is 6 to 1. Hence the level is reached at 95.67. The agriculturists lose 4.33 per cent of gross product, per head, which is divided among the protected at 25.99 per head, which makes the remuneration per head equal. Then

$$\begin{array}{rcl}
 12 \text{ million produce } 100 \text{ per head} & = & 1,200,000,000 \\
 2 \quad " \quad " \quad 69.68 \quad " & = & \underline{139,360,000} \\
 & & 1,339,300,000 \\
 \\
 \text{But } 12 \text{ million have and enjoy } 95.67 \text{ per head} & = & 1148.040,000 \\
 2 \quad " \quad " \quad " \quad 95.67 \quad " \quad " & = & \underline{191,340,000} \\
 & & 1,339,300,000
 \end{array}$$

If we assume that the whole 14 million could have been employed at 99, the whole product would have been 1386 millions, and the difference of total product, 46,700,000, is pure loss by the distortion of industry.

HOW PROTECTION LESSENS WEALTH.

Let us stop now to notice that we have here presented the true result of protection. It is often argued that protection raises prices, or lowers prices; that it raises wages or that it lowers wages, etc., etc. The true scientific proposition in regard to protection, is that which I stated at the outset. It lessens the amount of comfort or material well-being which the people might have enjoyed, taking land, labor, and capital as they stood. If the natural desire of all men to go into the most profitable industries, would not have carried them into the protected industries, then some force was necessary to

produce that distribution of labor. The productive power of the protected industries remains just what it was by nature. We cannot increase the productiveness of any industry except by increasing the amount or fertility of the land, or the amount of capital, or the efficiency of labor. Hence the total wealth produced by the nation is less under protection than it would have been under freedom, and the whole community has less to enjoy than it might have had. It is true that our people, living in a new country, with an abundance of fertile land, enjoy a high degree of comfort compared with Europeans. They do not feel the tariff as a cause of distress. I think that this accounts for their negligence in regard to it. Certainly it is a remarkable fact that when a bill is before Congress, which is to tax every consumer in the United States, the public is indifferent and ignorant in regard to it, and interested parties are left to wrangle and strike bargains amongst themselves as to their shares of the spoil of the public. We must be very wealthy people to be able to afford this indifference—so wealthy that we can allow our dependents to determine for themselves the rate of alms which we shall distribute to them.

I have written as if these twelve million persons engaged in agriculture alone came into account, and I have taken the degree of material good attainable in agriculture at 100, not dollars, but per cent. as a standard. In fact all the transporters, merchants, bankers, professional men,

editors, government officials, etc., enhance the value of the product, or prevent waste of it, and live out of it. They all pay, like the farmer, out of their shares to support the protective system. I do not pretend to say that this statement which I have made represents the amount of cost of the tariff to all the non-protected, as an arithmetical calculation. I know of no means of reaching an arithmetical calculation. I only put it in figures to make the reasoning as to the *method of operation of a protective tariff* more concrete and simple.

EFFECT ON THE DISTRIBUTION OF POPULATION AND ON STRIKES.

It is very possible that the protective system, being constructed without any rational principle whatever, only on the method of giving a tax on his fellow-citizens to any man that asks for it, to any extent that the competition of others with a like object may not prevent, may raise the remuneration of manufacturers above that of agriculturists for a time. No doubt our present system worked so from 1867 to 1870. The proof of it is the tendency of population from agriculture to manufacturing. During that period, the farmer had protected the manufacturer to a profit above his own. This influx of population into manufactures, however, brought the profits of manufacturing down to the level of those of agriculture again. Since the panic, they have been below, and population is now again seeking land. Who can doubt that this fictitious and

arbitrary moving of population from industry to industry is mischievous politically and economically. The population does not redistribute itself without distress, discontent, strikes, riots, and great loss of capital.

The protected, also, so far as they use each other's products, waste and squander their apparent gains, until a crisis arises in which they find that on a review of ten or fifteen years they have done well if they can settle with the capital unimpaired.

ANALYSIS OF THE FOREIGN TRADE IN 1877.

Let me now call attention to an analysis of the foreign trade of the United States for 1877, in order to show the effect of protection on it.

<i>Imports.</i>		<i>Exports.</i>	
Total,	\$492,000,000		\$676,000,000
Deduct: Gold, etc.	41,000,000	Deduct: Gold, etc.	43,000,000
Reexports,	12,000,000	Net export mdse,	633,000,000
	<u>53,000,000</u>		
Net imports merchandise,		439,000,000	

The difference, in mixed values, was, on the totals \$184 m.; on the merchandise \$194 m. The difference in gold value, gold included, was 166 m. Of the gold imported, \$13 m. was exported, making a net export of \$16 m. In the following tables the principal imports for 1877 are put under three groups; Industrial supplies; Manufactures; and Food and drink. As the "Home Consumption and Import statement" contains no tables

exactly suited to the purpose, it has been necessary to combine the different tables there given. This has occasioned some perplexity and there may be errors of detail. It was also necessary to calculate the per capita anew, and this is here done on the basis of population 45 millions. The Bureau of Statistics takes the population for 1877 at 46.6 m. Certain figures differ from those in the public statement because this calculation was car-

INDUSTRIAL SUPPLIES.

Articles.	Imports.	Duty.	Equal to Average Advalorem.	Consump- tion per capita.	Duty per capita.
Barley.....	\$ 5.	\$.9	18 p. ct.	11 $\frac{1}{11}$ cts.	2 cts.
Chemicals.....	11.4	3.0	26.3	25	6 $\frac{1}{2}$
Flax.....	1.	.07	7.	2	1 $\frac{1}{2}$ mills.
Hemp.....	4.3	.8	18.6	9 $\frac{1}{2}$	1 $\frac{1}{2}$ cts.
Pig Iron.....	1.4	.5	35.7	3	1 $\frac{1}{10}$
Steel.....	1.2	.4	33 $\frac{1}{2}$	2	1.
Leather.....	4.5	.9	20	10	2
Wool.....	7.	2.6	37.1	15 $\frac{1}{2}$	6
Copper.....	(\$30)	(\$11.50)	38 $\frac{1}{2}$		
Lead.....	.6	.3	43.43	1 $\frac{1}{2}$	$\frac{3}{4}$
	36.4	9.4	25.9		
Silk.....	6.7	Free.	.....	14 $\frac{1}{2}$	
Tin.....	1.7	Free.	.....	3 $\frac{1}{2}$	
Hides.....	11.7	Free.	.....	26	
India Rubber.....	5.5	Free.	.....	12 $\frac{1}{2}$	
	\$62.0	\$9.4	12 $\frac{1}{2}$	\$1.37	21

ried throughout on the basis of population 45 m. Five cyphers are omitted: thus 5,1 means 5,100,000; .06 means 60,000.

MANUFACTURED GOODS.

Articles.	Imports.	Duty.	Equal to Average Advalorem.	Consump- tion per capita.	Duty per capita.
Of Cotton	\$16.4	\$6.5	39.6 p.ct.	36 $\frac{2}{3}$ cts.	14 $\frac{1}{2}$ cts
Flax.....	14.6	5.1	34.9	32 $\frac{2}{3}$	11 $\frac{1}{2}$
Hemp.....	1.8	.6	33 $\frac{1}{2}$	4	1 $\frac{1}{2}$
Iron.....	4.8	.5	10 $\frac{2}{3}$	10 $\frac{1}{2}$	1 $\frac{1}{10}$
Steel.....	2.8	1.1	39.3	6 $\frac{1}{2}$	2 $\frac{1}{2}$
Leather.....	3.5	1.7	50	7 $\frac{2}{3}$	3 $\frac{2}{3}$
Silk.....	21.7	12.8	58.85	48 $\frac{1}{2}$	28 $\frac{1}{2}$
Tin.....	9.8	2.4	25	21 $\frac{2}{3}$	5 $\frac{1}{2}$
Of Wool:					
Carpets.....	1.0	.6	60	2 $\frac{1}{2}$	1 $\frac{1}{2}$
Women's Dress Goods.....	14.1	9.4	66 $\frac{2}{3}$	31 $\frac{1}{3}$	21
Blankets.....	.006.4	.005.7	89		
Flannels.....	.002.1	.001.4	66 $\frac{2}{3}$		
Cloths.....	5.7	3.9	68.4	12 $\frac{2}{3}$	8 $\frac{2}{3}$
Other.....	6.5	4.	61.5	14 $\frac{1}{3}$	9
Of Copper.....	.08	.03	37 $\frac{1}{2}$		
Lead.....	.05	.01	20		
Wood.....	3.9	.8	20 $\frac{1}{2}$	8 $\frac{2}{3}$	1 $\frac{2}{3}$
Rubber.. ..	.27	.09	33 $\frac{1}{2}$	$\frac{1}{3}$	$\frac{1}{3}$
	\$107.0	\$49.5	46.2	\$2.37	\$1.10

FOOD, DRINK, &c.

Articles.	Quantity.	Value.	Duty.	Equal to aver. ad valorem.	Consumption per capita.		Duty per capita.
					Quant.	Value.	
{ Fruits.....	.....	\$9.5	\$2.5	26.3	.....	21 cts.	5½ cts.
{ Spices.....	.....	1.8	.8	47.22	.....	4	1¾
{ Tobacco.....	.....	5.7	4.3	75.4	.....	12½	9½
{ Spirits, &c.....	.....	6.1	5.6	91.8	.....	13½	12½
{ Sugar.....	1,486.0 m. lbs.	71.8	34.3	47.7	33 lbs.	\$1.59	76
{ Molasses.....	.....	9.2	2.7	29.3	.....	20½	6
{ Salt.....	.....	1.5	.7	49.35	.....	3½	1½
{ Coffee.....	332.0 m. lbs.	53.6	Free.	.....	7.37 lbs.	\$1.19	.....
{ Tea.....	58.9 m. lbs.	16.	Free.	.....	1.3 lbs.	35½	.....
		175.2	50.9	29			\$1.13

Total import of merchandise.....	\$439 m.
“ duty.....	128.4
Equivalent to ad valorem rate.....	29.2
Average rate on dutiable.....	42.89
Consumption of merchandise per capita.....	9.75
Duty per capita.....	2.85

These three lists sum up 344.1 million dollars. They contain 248.9 m. of dutiable imports out of a total dutiable of 299 m. They therefore present the main body of the imports. These tables also account for 110 m. out of 128½ m. total revenue from customs under a tariff on 2,000 articles.

REVENUE AND PROTECTION ON FOOD, DRINK, ETC.

Let us examine first the third table. It is divided into four sub-groups. Of these the first, fruits and spices, are taxed, but the taxes are hardly at all protective.

The second sub-group, tobacco and spirits, is taxed, but the taxes are more or less offset by excises. The third sub-group sugar, molasses, and salt, is taxed with protection. The fourth sub-group, tea, and coffee, is not taxed at all.

The articles in the first group, fruits and spices, could be made to bear much greater revenue without being made burdensome. They are luxuries of food if anything is. In the specious method of reasoning which the protectionists employ, first on one side and then on the other, of every point in discussion, it has been asserted that tea and coffee ought not to be taxed because they are no longer luxuries. In truth, the distinction between luxuries and non-luxuries is one of no value, although many people think it a great principle of taxation to tax only luxuries. There is no possible definition of a luxury, and if we should tax only the articles which cost a great deal, and are consumed by the rich, we should get very little revenue. On the other hand, if only luxuries were to be taxed, how could any one justify taxes on clothing, furniture, tools, household utensils, etc., of every description, and of prime necessity? The consumption of spices and fruits is small, per capita, and high revenue taxes on those articles could be borne with the greatest ease.

Tobacco and spirits paid less than 10 million dollars customs revenue, they paid 108 millions out of 118.9 millions total revenue from excise; the revenue from the excise on these articles having increased 2.3 millions last year, in spite of the hard times.

SUGAR.

Sugar is our best article of customs revenue. Our consumption of it is 33 lbs. per head, worth \$1.59 per head, and the revenue from it is 76 cts. per head. It brought in 34.3 million dollars out of 50.9 m., produced by the class of food and drink. While we have to raise a large revenue, this article may properly be used for the purpose, although the history of the tax on sugar as compared with that on tea and coffee, shows that we should not be getting this revenue from it, if the tax were not protective. A great deal has been said about the poor man's tea and coffee, but not a word about the poor man's sugar, but the value of the sugar we consume per capita is greater than the value of the tea and coffee together. We have taxed sugar for protection ever since 1816, when it was predicted that with a "little" protection for "a little while," sugar would be raised as far north as the Ohio River. Sugar is now a precarious and artificial industry, as it always has been and always will be, even in the best lands of Louisiana. The product did not increase from 1850 to 1860, when it was about a quarter of a million hogsheds. In 1870 it was 87 thousand hogsheds. From 1846 to 1857, the tax was 30 per cent, and from 1858 to 1861 it was 24 per cent. In the Morrill tariff it was $\frac{3}{4}$ of a cent a pound. Since then it has been raised from time to time until it was equal to an average rate of 47.7 per cent ad valorem. I do not

know what the present production is, but it is not far from 100,000 hogsheads, or 100 m. pounds. The amount imported subject to duty, was 1.486 m. pounds, so that there were fifteen pounds imported for one produced here. The domestic product was $2\frac{1}{4}$ pounds per capita, on which the bounty to the sugar planter was $5\frac{1}{8}$ cts. per head of the population, or over $2\frac{1}{2}$ million dollars. The account then stands thus: we use $35\frac{1}{4}$ pounds of sugar per head, per annum, man, woman and child, leaving out of account what comes free from the Sandwich Islands. 33 lbs. per head is imported and pays the government $34\frac{1}{2}$ m. dollars revenue, $2\frac{1}{4}$ lbs per head we buy of the Louisiana planters and pay them $2\frac{1}{2}$ million dollars bonus for raising it. If this sum went into the treasury, and if the tax were simplified and better collected, sugar might be made to yield 40 millions. After sixty years' protection, Louisiana sugar ought to bear an excise so as to bring into the treasury all the people pay. It is singular what a pet industry this is, but the reason why we should pay a heavy subsidy for having a small part of our sugar supply produced in Louisiana instead of in Cuba, is hard to find. It must be added here that the Pacific coast gets sugar free from the Sandwich Islands.

SALT.

The salt tax presents another set of facts. The tax is 50 per cent, but pays only \$700,000 revenue, because only a small portion of the supply is imported. Salt is

an article of prime necessity, which might, by an excise, be made to pay a very great revenue. If consideration for the poor were to rule, this tax ought to be abolished entirely, but a population which uses \$1.59 worth of sugar per annum, and \$1.19 worth of coffee, could not plead poverty against a revenue tax on salt. How little care for the poor has to do with the matter, when their money is to go to protected interests and not to the public treasury, is evident from the fact that a tax of 50 per cent is laid on this article, of which nearly all goes to the protected. The tax ought to be abolished, or else reduced to a revenue rate and combined with an excise.

TEA AND COFFEE.

The fourth sub-group, tea and coffee, are not taxed at all. These articles are natural monopolies, and a tax laid upon them, especially on tea, would fall, for the most part, on the producers of them. The removal of the tax produced no appreciable decrease in the price. The protected interests desired to free articles of food and drink, in order to lessen the cost of labor, so far as they could do it without violating the protective system, and the claptrap about the free breakfast-table, so hollow and false in view of our whole tax system, was made to do duty for argument and sense. A tax of three cents a pound on coffee would produce 10 millions, and a tax of ten cents a pound on tea would produce 6 millions,—nearly equal to all the revenue from manufactures of

cotton, flax, hemp, iron, steel, leather, tin, copper, lead, and rubber. A tax of three cents a pound on coffee alone would more than replace the revenue from industrial supplies. If now all the manufactured articles which enter so largely into clothing, furniture, fuel, lights, tools, transportation and information were removed, the result upon the consumption of articles of luxury in food, of wide use, would be such as to greatly increase the revenue from the latter sources. There is no country in the world where the revenue would be so elastic as it would be in the United States.

TAXES ON COMMODITIES ARE TAXES ON LABOR.

INCOME TAX.

These taxes on consumption are sometimes said to be taxes on labor. They are so, but so are all other taxes on commodities. In the other classes which are given above we find taxes laid on every thing we use. When we were boys at school we used to declaim a passage from Sydney Smith in which he described the taxed Englishman of former days. The Englishman has escaped, and it is our turn now. It is only necessary to change the name, and the story is told of us. All taxes on commodities are taxes on labor, whether they are paid in revenue to the State, or in bounties to protected industries. It is often said that a man with a family of five, and an income of \$1,000, uses as many commodities as a man with the same family and an income of \$5,000.

This is not strictly true, because the latter will have servants to provide for and will consume more in entertainments. He will, of course, have more clothing, furniture, etc., and greater variety of food than the former. Taxes on commodities never fit these latter circumstances proportionately. All due allowance being made, then, it remains true that taxes on commodities bear with a certain equality per capita on all consumers, and are by no means adjusted proportionately to incomes. An income tax on all incomes above those which taxes on commodities reach in their average, is necessary to any equitable system of taxation. The minimum of taxed income ought to be so low that the income tax shall begin to act where the taxes on commodities cease to act proportionately, that is at the average cost of necessary living for a family. The income tax ought not to be graduated, or ought, at most to have only two grades, if for no other reason, because a graduated income tax does not pay for the trouble of collecting it. The only discrimination which seems wise is that between classes of incomes, such as revenues from investments, and professional incomes.

It has been well said that any old tax is good and any new tax is bad. Habit goes for a great deal in taxation. The income tax did not exist here long enough to be accepted as matter of habit. It is the best tax which can be laid in every point of view, economical and political. We ought to have an income tax producing from thirty

to forty millions a year in the place of a vast number of taxes which now weigh heavily upon labor, and especially in the place of many which are protective, and where the protection could not easily be offset by an excise. The case is entirely different, however, if it is proposed to leave the wasteful protective taxes to take money from consumers for the benefit of protected interests, and then to lay an income tax to produce revenue. That would be a new and unheard-of combination in taxation. The mass would then be taxed for the benefit of a few, and a few would be taxed for the necessary revenue of the government.

TAXES ON INDUSTRIAL SUPPLIES.

We will now look at the first group, Industrial Supplies; it is divided into sub-groups, one of which consists of \$36.4 million on which the duty is equal to 25.9 per cent, the other of 25.6 million which is free. The former consists of those articles which are produced in this country and are protected; the others are not produced here. Take for instance tin. Tin has not been found, so far as I have yet heard, in the territory of the United States, but we have plenty of it. We buy it with wheat, cotton, etc. If some one should find a tin mine, all experience warns us that he will go to Washington and get our representatives to pass a law to make us give him more wheat and cotton for his tin, than we now have to give for it. Every new "resource" which has been found here has

been hailed as a new sign of the bounty of nature to us. Every one has been the occasion of making it harder for us to get the thing in question than it was before. These taxes are taxes on industry in its germ. They are multiplied over in trade profits and fall on the consumer with their whole accumulated weight.

The "Wood Tariff," now before Congress, seems to aim to reduce protection by levying revenue duties on some of these raw materials which are now free and are not produced in this country. (As for instance ten per cent on tin.) This step cannot be regarded as wise, or as tending in the right direction. It is impossible to so adjust these taxes to each other as not to run the risk of actual harm to existing industries, or of putting them at a disadvantage in foreign competition. This is not desired by anybody. If every industry now carried on in the United States would continue under free trade (and every important one would continue) none would object. If any of them ceased, it would only be because people found something better to do. The taxes on raw materials, however, will some day have to be removed, and any which are now put on will only cause more difficulty when that time comes.

TAXES ON MANUFACTURED ARTICLES.

The second group, Manufactured Articles, covers all the articles which enter into clothing, hats, shoes, furniture, household utensils, buildings, machinery, and tools. The total import is 107 million, which, at 46 per cent

average ad valorem rate, gave the government 49½ million dollars revenue. How much it cost the people it is impossible to estimate. The amount of the imports shows that the duty kept out but a small fraction of the necessary supply. The depression of industry has lowered the prices of many of the protected commodities so that the tariff does not act on them at present with its full strength. Making all allowance for that, say that it only enhances the cost to the people of this immense range of commodities 25 per cent. Even then it is plain that the burden is enormous, that it produces no revenue, and that it is totally unjustifiable. Instead of saying one to the other: If you will let me rob you, I will let you rob me, would it not be better, as well as more civilized, to say: If you will not rob me, I will not rob you?

THE EXPORTS.

The exports of this country can be put in a much smaller compass.

Of the exports, those which exceeded 5 millions in value, were:

Bread and breadstuffs.....	\$116.9 m.
Cotton	171.1
Mfs. of Cotton.....	10.2
Firearms	5.2
Leather, and Mfs. of	7.6
Shingles and Lumber	15.
Coal oil.....	61.7
Provisions	114.1
Tobacco	28.8
	<hr/>
	\$530.6, m. out of

633. the total export of merchandise.

Five articles, breadstuffs, cotton, coal oil, provisions, and tobacco, amounted to 492.6 millions, or $\frac{7}{8}$ of all the exports. They paid for all the merchandise and gold imported and the re-exports besides. It is upon these exports that the burden of the tariff directly falls. These products are produced in surplus and are forced to seek the foreign market. The foreigner wants the goods—they are all staples of high demand—but he wants to exchange his own goods for them. If the tariff interferes to prevent this, the producer of exported articles has to force the sale by concessions in price, or, what amounts to the same thing, he suffers in the sale of exchange. During the period of paper money and high importations this was concealed or deferred. During the last three or four years we have been paying up, with the exchanges low, and whole long arrears of this loss have been endured in a short period, by the agricultural interest.

WITH WHAT COUNTRIES WE TRADE.

It is important also to observe with what countries we trade.

First, as to the precious metals. The cases are given in which the excess of exports or of imports is five millions or over.

<i>Imports exceeded Exports.</i>		<i>Exports exceeded Imports.</i>	
From Mexico.....	\$10.2 m.	To Great Britain.....	\$ 8. m.
Difference:		Spanish West Indies..	1.6
Net exports.....	16.	China and Japan.....	17.
	<hr/>		<hr/>
	\$26.2		\$26. 6

Secondly, as to merchandise :

<i>Imports exceeded Exports.</i>		<i>Exports exceeded Imports.</i>	
From British East Indies..	\$ 5.5 m.	To Great Britain.....	\$232. m.
Spanish West Indies	65.6	Canada	14.
Brazil, Arg. Repub.		Spain.....	7.
Uruguay & Venezuela	43.6	Germany.....	29.
China and Japan...	20.	Holland	8.5
		Belgium	13.
		Turkey	8.9
		Mexico .....	.6
	<hr/>		
	\$134.7		\$313.0
			<hr/>
			134.7
			<hr/>
			Balance exports exceeded imports, \$178.3

This difference is near enough to that between the total imports and exports of merchandise (184) to show that we have before us the statement of where the surplus export went to. The surplus of course went to pay our debts, but we might have sold it anywhere where we could get the most for it, and might have transferred the credit. Our exports of gold and merchandise to England have exceeded our imports of the same, from the same for the last five years by \$1,023,600,000. The market for almost the whole export was in Europe. That the debt was held there was immaterial. It therefore, appears that *we sell to one set of countries and buy of another*. The effects of this on the rate at which we exchange must be obvious. We want to buy raw materials, chemicals and drugs, tea, coffee, and spices, and we have to go to the countries which produce those articles to buy them. But we have tied our hands so that we have no sufficient out-

trade. We cannot offer those countries what they want for their goods. We therefore go with a high demand, but we offer nothing which tempts the other party. On the other hand we sell in Europe, where we refuse to take what they offer in exchange. There we offer a supply but check the demand of the other party by refusing what he offers. He then turns away and sells his goods to the West Indians, South Americans, and others of whom we buy. He takes in exchange the credits which the South Americans and others have won on us by selling to us, and he buys our goods with those credits. We therefore appear not as sellers but as debtors. The Germans, Belgians, Dutch, and English sell their manufactures to the Cubans for sugar, and then sell the sugar to us. We pay all the freight, exchange, commissions, and double profits, on this arrangement.

HOW WE OUGHT TO TRADE.

Situated as we are, geographically, this system is in every respect injurious to us. We ought to be a market supplying everything which the West Indies, and Central and South America want. We ought to look upon trade which would enable us to make up assorted cargoes to those countries as most profitable to us. We ought to exchange our goods for the products of Europe and sell them again for sugar, etc. The European products would cost us just what it cost us to produce the things we give for them. If it costs us three barrels of flour for a ton of

iron, then the iron cost just the labor and capital spent on three barrels of flour, and if we can make flour with less labor and capital than any one else, then we may get iron for less labor and capital than the people expended who produced it. The exchange of our wheat for sugar is a triangular exchange. It makes great difference whether we stand at the second or third corner of the triangle.

STIMULUS TO MANUFACTURES.

If we had free trade, *the exchanges just mentioned would give a stimulus to manufactures in the Eastern States such as no protectionist ever dreamed of.* As the Western States fill up, their competition drives the Atlantic States out of agriculture by lowering its profits. If we were exchanging with Europe for goods for ourselves and for reëxport, the latter class of goods, whatever was demanded by the countries with which we trade, would be continually calling for production here. Cotton fabrics, machinery, hardware, brassware, "notions," and household utensils, which we already make to great advantage, would find a market immediately. The transportation of this trade is ours whenever we are willing to take it, and the mercantile and banking profits follow of themselves.

To take down a complicated tariff such as we now have is very difficult. Everything leans on everything else. It is like a game of jackstraws in which it is hard

to remove one bit without a shock to some other. It will have to be taken down, or it will all tumble into chaos at last. It would no doubt be best, in the long run, to destroy it altogether, but it would produce confusion for a time. The country ought to form a determination to abandon the system and work towards that end as speedily and rapidly as possible.

WE HAVE UNDERTAKEN TOO MUCH AT ONCE.

We have, since the war, plunged into everything at once. We wanted to pay off the debt, to protect home industry, to grant great subsidies, and to beautify all our cities at once. The consequence has been foolish extravagant taxation, both national and local, and it is no wonder that we have come to a stand still. The country is like a young and vigorous man for whom a hard task is set. He is willing and ready and able, but it is not wise to hang a weight on his arm, and a clog on his leg, and to bandage his eyes and give him a rusty and rickety tool. If we had reformed the currency, that would have been worth an effort, but to crush the energies of the nation by harsh taxation in order to pay a debt, the weight of which is less in proportion to the power of the country to bear it every year that we go forward, is unwise. To do this without withdrawing the paper money, and to undertake, at the same time, to waste capital in protection, is so foolish that it will be quoted for a century as a specimen of economic folly.

THE NEW YORK FREE TRADE CLUB.

Formed May, 1877. Incorporated February, 1878.

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The object of the Club is :

First. The study and discussion of questions in political economy, especially such as relate to the Laws of Trade, and the diffusion of information thereon.

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wise and generous policy, which shall induce the nations to become consumers of her products. We have already no real rivals in the fields of agricultural labor; we have few only in the coarser branches of manufacture; and we should very soon have none in either, if we cultivated our privileges, in a large, enlightened, liberal way, instead of indulging in an ill-informed, narrow, jealous, and selfish spirit. The products in which our country teems, and which constitute its wealth, would become a tenfold, nay a hundred fold wealth, if they could be freely exchanged with the products of other countries; if, when we are asked to engage in such exchanges, instead of turning churlishly away, or hitting the solicitor on the head with a club, we gladly embraced the proffers of reciprocal benefit.

Among the nations whose better instructed citizens hold out their hands to us and say: "come and trade with us more largely," is France, our old Revolutionary ally, that, after years of bloody struggle has at length become, permanently, as it would seem, Republican, in form and in spirit; that is easily the first of the nations in the nicer industrial arts, that could enrich us with the best works of skill and genius, as we could enrich her in the rarest treasures of the earth. This great nation, through her representative classes, requests of us to deepen and enlarge the trade which is already so beneficial to both, and how can any disinterested or far-seeing American resist the appeal? She does not urge upon us anything imprac-

ticable or untried ; she does not ask an unlimited amount of freedom of interchange, which will no doubt come in time,—but simply a broader and better regulated exchange to be determined as the Cobden-Chevalier treaty of 1860 between Great Britain was determined, by competent and clear-headed men, by a mature study of all the actual circumstances of the case, with a full recognition of all existing interests, yet a calm bold look into the interests of the future. How beneficent that treaty has been for both the nations the publicists of both nations are prompt to acknowledge. It has disappointed every prediction of evil that was uttered in regard to its probable effects, and it has realized and more than realized every hope of good that its friends announced or entertained. It has proved to be an unqualified boon to all the parties to it, which none are more ready to confess than those who were at the outset apprehensive of the most disastrous result. Now what Cobden and Chevalier have done for the these two leading nations of Christendom, it is proposed to do for France and the United States. It is proposed to recognize by treaty the commercial needs of each nation, to promote the realization of them in the broadest way, to secure for each and for both inestimable gains, and to stimulate the impulse to those pacific reciprocal modes of International diplomacy, which, if they generally obtained, would leave little for the harsh hand of war to accomplish. While in Eastern Europe the aspect bristles with

bayonets, we hope to give to Western Europe, and to this side of the Atlantic, the promise of a spreading and stable peace, and of increasing thrift and occupation. Man's real business on earth is to possess and subdue it, or to assert his mastery of the natural forces, which he achieves by turning them from destructive to constructive and auxiliary agencies; and that great function is amazingly assisted when the nations work together for the end. How terrible, how cruel, how wasting and demoralizing war is, we all know; but can we not do much to arrest its fatal march and to correct its wasting methods by the means suggested in this simple pamphlet?

Our French friends, in the number of whom the reader will recognize many well known names, solicit us to meet them half way, in a process of commercial emancipation. Their own custom-laws, like ours, were many of them enacted at a period when people were in the habit of taking short-sighted views of their true welfare. They desire to get rid of these as we desire to get rid of ours, and the mode they prescribe is by a common effort. "You are suffering as we are suffering," they say "under prohibitions and restraints, that are exceedingly injurious to both of us; let us relieve ourselves by a liberty that will be exceedingly beneficial to both of us." They do more; they show in a few words the ways in which the benefits are going to accrue. It is not by sweeping and ill-considered changes, but by judicious modifications. "Let us take up our respective tariffs, let us compare

them together ; let us see in what particulars they can be amended so as to prove helpful to both ; and if there are products of yours for which a wider market is to be had by opening with you a wider market for products of ours, in the name of common sense and justice let it be done." Can anything be more rational ? Why continue a mute war of prohibitions and exclusions which does neither good, which does both sides evil, which a stroke of the proper pen can stop ?

II.

THE FRANCO-AMERICAN COMMERCIAL TREATY.

LETTER TO M. LÉON CHOTTEAU.

BY M. MÈNIER.

SIR :

You ask me for a preface to the pamphlet which you are publishing with a view to demonstrating the necessity for a commercial treaty between the United States and France. I send it to you willingly ; for my sympathy is enlisted in a work of such importance.

I think that the time will come when it will no more be necessary to make commercial treaties than it is necessary to-day to conclude a treaty between Normandy and Brittany for the purpose of ensuring the exchange of their respective products.

Posterity will look upon tariffs with the same wonderment with which we regard the ancient economic organization of France. Although sound economic ideas are making rapid strides forward, these international conventions are still required to assure the stability and security

of which commerce and industry are yet in need. But to make no mistakes, this security should be founded on the law of supply and demand, and not on the system which under the pretext of favoring the producing interests of a country, gives an abnormal increase to the business of certain classes of producers to the detriment of great body of consumers.

This system is known under the name of "protection," for the reason, doubtless, that with a view to protect a few, it is injurious to many.

In France we have long suffered from the agitation raised by the protected in favor of the system which protected them. Their arguments were very simple. They proved that if customs duties were abolished they would be obliged to close their works, to throw their men out of employment; in a word, they would be completely ruined. It is true that by this mode of arguing they proved that their profits were made to the injury of the whole body of consumers, who, had it not been for protection, could procure at less cost the objects which they were obliged to buy. But this answer did not disconcert them in the least.

However, after the reform of 1860, this reply to the protectionists' arguments gathered force, for facts showed that the protected producers who had been so loud with their outcries had made more noise than the circumstances had justified; for notwithstanding the want of protection, the most of them continued to do an excellent

business. We have here the defect of every protective system ; it makes the consumer pay an inflated price for objects which could otherwise be bought at lower rates ; it has created monopolies for the benefit of certain classes of producers ; it gives privileges to certain classes of manufacturers. What is a privilege ? Taxing the many for the benefit of the few. Privilege means spoil. But at the same time the situation of the privileged ones is precarious. They have founded their business on their faith in high tariffs ; they have established it under unfavorable conditions at great expense, saying to themselves : " What does it matter ? we are protected by tariffs." They did not consider that against them were formidable enemies ; all the consumers at home, anxious to live cheaply, and all foreign producers.

We have here the phenomena of endosmose and exosmose. Nations endeavor to gain access to each other by the exchange of ideas or of products, and they succeed even by smuggling if it is necessary.

No manufacturer to-day will deny the necessity of the division of labor. It is the foundation of every industrial organization. It should also be the foundation of the commercial policy of nations ; for as all are not placed in identical geologic, climatic, hydrographic conditions, they cannot all produce the same things and all things necessary to their needs. If from any of the above mentioned causes, the conditions of production are not the same, there must be exchange, and the

easier this exchange, the greater the advantages for all.

Instead of understanding this simple truth, each nation has gone to work to hamper, and often to prevent this exchange. We have seen, we see now the following strange phenomena: on one side, vessels are built under the best possible conditions; engineers do their best to increase their speed, to lessen the quantity of fuel necessary, to reduce the number of men indispensable to man them, in order to carry freight at low prices, and then, when we see realized after great efforts the most favorable conditions under which merchandise can be transported from one place to another, the merchandise is stopped by a formidable barrier: the Custom House. A tariff is imposed which nullifies all the efforts which have been made to facilitate its transportation, so that we can say that financial genius has for its object to paralyse the genius of invention. We have here a struggle between two contrary principles, political combinations having for their end the nullifying of the ascendancy of man over matter. And at whose cost does this struggle go on? Who pays for it? The many.

I said in 1869, as President of the "League of Industrial and Commercial Liberty," that "while the interests of the producer are paramount, that of the consumer is forgotten. But the producers are consumers in their turn, and they pay on their side, the cost of the struggle. They pay it even as producers. In the United States they are finding this out to-day.

In 1816 as in 1865 the Americans committed a great commercial mistake; they wished by raising their tariff rates to make foreign nations pay the debts of the United States. What was the result? That foreign commerce deserted them. Then a certain number of manufacturers said, "So much the better! From foreign competitions we can be independent; we shall produce all that we need; we shall no longer pay foreign tribute."

But the crises through which the United States are now passing, the strikes which have taken place, should prove to all the dangers of such a system. Products are exchanged for products. Such is the economic law. When a market is closed to foreign products, foreign commerce deserts it. The foreign nation in its turn retaliates by similar restrictions. Instead of a union of interests, there is a war of interests. Then home products finding no outlet glut the the market; the consequences are plethora and crises. This is what is taking place in the United States. Instead of applying themselves to the production of cotton, coffee, wheat, tobacco, meat and precious metals, they wished to compete with the whole manufacturing interests of Europe; hence the crises and the failures so frequent during the last two years, and failures from which New York has perhaps suffered most.

They wished to protect silk by a tariff of sixty per cent., aggravated by Custom House red tape. Has the

silk industry prospered in the United States? Did not the great manufacturer of Newark threaten, a few months ago, to close his establishment, or to reduce the salaries of his workmen fifteen per cent.?

Such is the fatal result of the protective system: it gives an artificial vigor to this or that business, which makes it possible to raise salaries, and then when the reaction takes place, strikes occur, throwing men into poverty, and bringing on social disturbances. In the United States, twenty miles from St. Louis, are mountains of iron ore; yet for the last three years the production of iron has steadily diminished:

1873	-	-	-	-	-	2,868,000 tons.
1874	-	-	-	-	-	2,689,000 "
1875	-	-	-	-	-	2,266,000 "
1876	-	-	-	-	-	2,050,000 "

Why? Because cast iron costs about fifty-four francs more than in Europe; the raw products, the workmen, the freight charges, having all been benefited by the protective tariff. Then the demand stopped. The United States also wished to protect the merchant marine; and they, who have splendid harbors, superb rivers and an immense coast line, and cotton, wheat woods and metals to export, built last year twenty-five steamers, of a capacity of 21,000 tons, while England built 719 sailing vessels and 348 steamers, of a capacity of 473,000 tons. Such facts are significant. I am not surprised that a Free Trade club has been organized in

Boston, for that town cannot forget that she owes her prosperity to her old-time privileges as a free port. I am not surprised that other free trade clubs have been organized in other cities of the Union, for a reaction in favor of commercial liberty must inevitably have taken place against the protective system.

I am convinced that the time of the Exhibition of 1878 is well chosen for an assembly of the representations of the commercial and manufacturing interests of both countries to meet in open debate, and to lay the foundations of a treaty of commerce between France and the United States. We hope to be heard on the other side of the Atlantic, when, speaking to the people of the United States, we say: "What! your fathers rebelled against England because she imposed upon you her own prices for cloths, iron ware and manufactured articles of all kinds, and to-day, in order to protect certain manufacturers lured by this artificial protection, you condemn yourselves, condemn the great mass of the people of the United States—for all are consumers to a certain extent—to pay sixty, eighty, ninety, one hundred per cent. more than their real value for articles which you need, if furnished by a foreigner! You will not succeed in ruining the manufacturers of the world. You will teach them to do without you; not to include you in their calculations. You can rejoice over your isolation. The Chinese also congratulate themselves upon remaining impenetrable to outside influences. They, at least, are logical; but you are not logical. You receive stran-

gers willingly; no nation receives them better, or offers more facilities for naturalization; you prescribe for immigrants no form of worship; you are receptive of all new ideas, and while from an intellectual and moral point of view you would be indignant at any proposal to erect barriers between yourselves and other nations, you accept barriers, so far as the exchange of products of other nations is concerned. That Russia sanctions protection can be understood. Protection is the logical consequence of the controlling role, which the state assumes. The Czar wishes to lead his people to riches, to happiness, to glory; to that end he protects them against the invasion of foreign ideas and products, and he continues his role of providence, confident of his own power to create riches, to create a people, and to manage in his own way the affairs of each one, even in violation of economic law.

But is it thus with you, adherents of self-government; you who have for maxim "each one must rely on himself, on his own energy, on his own enterprise, and not on the protection or aid of the state?" What are you doing with your protective tariffs? They are the very negation of self-government. They are in flagrant contradiction to all your ideas, all your theories, all your social and political practices. And it is precisely because this contradiction is flagrant, that sooner or later, by virtue of the logical similarity which governs phenomena of the same order, you must substitute for protection free trade.

Paris, December, 1877.

MENIER.

III.

THE AMERICANS AT PARIS IN 1878.

BY LÉON CHOTTEAU.

The idea of bringing together the producer and the consumer is French. We can even say republican. It was in France in the year VI of the Republic that the first exhibition was organized. The example was followed by Belgium in 1829 (Gand ?) by Prussia in 1834 (Berlin), by Austria in 1835 (Vienna), and by England in 1851 (London). England laid the foundations of an international meeting. She broke new ground. If France did not give to the exhibition of 1849 the international character which the Minister Ferdinand Flacon wished to give to it was because the Chambers of Commerce sent negative answers to the proposition. So early as 1833 M. Boucher de Perthes said at Abbeville: "Why are these exhibitions still restricted? Why are they not organized on a really large and liberal scale? Why are we afraid

to open our exhibition halls to the manufacturers whom we call foreign, to the Belgians, to the English, to the Swiss, to the Germans? How grand, how rich would be a European exhibition. And do you imagine that the country in which it took place would lose anything by it? Do you think if the Place de la Concorde which was opened on the 1st of May, 1834, to the products of French manufacturers had been open to the whole world, do you think I say, that Paris or that France would have suffered, and that afterwards we should manufacture less and not so well? No, France would have suffered no more than the capital. Exhibitions are always useful; they offer everywhere profit and instruction. The first Republic conceived the idea of a competition of workmanship. If the minister of 1848 had not shown himself so timid, the second Republic would have called together the congress of manufacturing nations which London, following the report of the architect Digby Wyatt, saw in 1851.

Let us be sincere. International Exhibitions have been so far unintelligible in some respects to those taking part. Europe, Africa, America, Asia, and Oceanica meet in Paris, in London, in Vienna, or in Philadelphia. Then, poets proclaim the brotherhood of nations and hail the dawn of an era of concord and peace, because Russians, Germans, Englishmen, Frenchmen, Africans, Asiatics had admired together the same flags, heard the same music, eaten of the same dishes, drank the same champagne.

Events strangely upset the programme. After 1851, and during 1855, the Crimean war; after 1855, war in Italy; after 1867, Sedan; after 1873, Servia; after 1876 the passage of the Pruth. In presence of these disappointments caused by political crookedness the singers smiled and modulated new melodies. War remained inevitable; those who organized exhibitions endeavored to draw the nations together the day after the battle or on the eve of one. Even yesterday we accepted on faith the songs of the poets. To-day we are more difficult to suit. Study and observation of the objects exhibited leads to free trade which authorizes free competition an international right which will put an end to this war between nations as private rights have put an end to war between individuals, and will ensure security to honest energy.

The Americans hesitated, at first, about coming in large numbers to Paris. They thought to find here in an arena open to display and vanity, the loud and vulgar shows accorded in the past to the people by Queen Victoria, the last Bonaparte and by the Emperor Francis Joseph. This fear was without foundation. Minister T. de Bort who proposed to the Chambers the great enterprise of 1878, and the Chambers who favored by a vote of credit the carrying out of the project, had no intention of organizing a parade. M. M. Krantz and Deitz Monnin, eminently responsible men, have been at the head of the work.

We hope to show the world what progress has been

achieved and what unknown departments in the arts and manufactures remain to be explored. We wish to stimulate the genius of nations and unite interests. At the time in which we live, thought knows no fetters, and governments which try to fetter it commit an anachronism.

The question of Free Trade, if satisfactorily settled, will increase the productive power of nations and will modify, in making free, the institutions of Europe.

The United States possess political guarantees which all the nations of the old continent do not enjoy; but the Americans have organized a system of excessive protection. They see Europe grow rich and Europe's future assured by giving up duties; a positive proof that protection is injurious to-day to the growth of riches, and threatens to endanger liberty to-morrow. From afar one appreciates better one's own country. We hope that the Americans will come here and study our country by the light of our European markets.

It has been said that an American had his brain not only under his skull but in every part of his body, even to the ends of his fingers. In 1788 seven bales of cotton were landed at Liverpool; the captain of the vessel declared that the merchandise came from the United States. The bales were seized and the blotter of the Custom House read "False statement, as the United States produce no cotton." The extensive brain was already working prodigies.

Lord Chatham in 1750 did not wish to tax the colonies,

but he said to the future rebels: "If America makes a stocking or a horse-shoe nail, I would advise that she be made to feel the whole weight of England." Before the war of Independence, England tolerated no manufacturing in the colonies, and the period which precedes the act of the Fourth of July, 1776, is marked by many annoyances. Charles the II, in 1651, 1660, 1663 foreshadows the future by obtaining from Parliament a vote on three Navigation Acts, destined to paralyze the commerce which the colonies wished to carry on between themselves and foreign nations. From 1775 to 1783, Washington brought to a successful issue a struggle begun in the name of commercial liberty. Foreseeing the victory of the colonies, Adam Smith advised the Americans to clear their lands and devote themselves entirely to agriculture. The Americans guided by their triple or quadruple brain became at the same time agriculturists, navigators, manufacturers and merchants. Toward the end of 1776 the Philadelphia Congress proposed to enter into commercial treaties with Prussia and Tuscany. The eight years of war nearly ruined the United States, and Washington in 1790 thought best to ask from Congress a protection tariff. Until 1816 the duties were reasonable. In 1816 there was a sudden rise in the rate of custom duties; the war of 1812 with England exhausted the treasury, and foreign commerce was obliged to make up the deficit. In 1832 the national debt is very nearly wiped out. At the proposal of Henry Clay

it was decided that every duty of more than 20 per cent. *ad valorem*, should be reduced from year to year, until this uniform rate was reached. Toward 1840, began the agitation which has been called the tariff war. Men like Mr. Carey of Philadelphia wrote books and pamphlets in favor of a vigorous system of protection. The high tariff of 1842 was the result of these efforts.

In 1857 they went back to the tax of 20 per cent. But the South, four years afterward rebelled against the North.

When Lee surrendered to Grant at Appomattox Court House the republican party by excessive custom duties tried to make manufacturing Europe pay the national debt. In serving the interests of the treasury it was the intention to show their strength to England who had armed the "Alabama," and to Bonaparte's government which had sympathized with the South. To be sure Thaddeus Stevens in the House of Representatives and Charles Sumner in the Senate Chamber were patriotically right in wishing reprisals. They made a mistake in thinking that by keeping away English and French commerce they would hurt England and France alone. When the duty rises from 4 or 5 per cent. to 50, 60, or 70 per cent., it is equivalent to prohibition and ceases to be levied because there are no goods to levy on. This is what has been lately shown in connection with the Lyons workmen. The Lyons exporters send very little silk to the United States; they suffer greatly and the American

Custom House receives next to nothing from this quarter because it has been too greedy. Such is the situation.

The English acted under a wiser inspiration. In 1826 they levied on silk a duty of only thirty per cent., and the innovation bore fruit so well that the manufacturers of Manchester complained in 1852 of being too much protected by this remnant of protection. They asked relief from the government "by abolishing the duty on silk goods of foreign origin, not partially or gradually, but completely and immediately. France who followed England in the same direction of commercial franchises, at first objected. On the 27th of May, 1814, the Chamber of Commerce of Rouen addressed to the King, Louis the XVIII., a petition in which we read "Prohibition is a political and social right. From the manufacturer to the workman all demand, and undoubtedly with good reason, the right to furnish exclusively the country in which they live."

Since 1860, we have floated with the current which carries along nations strong enough to disdain the suggestions of economic empiricism. The United States still resist. Why? Because until now we have neglected to plant the seeds of the great work of the nineteenth century.

The Centennial of Independence offered us an admirable occasion. If, from May to November, 1876, a Frenchman, inspired with the faith which moves mountains, had created in America, by the newspapers and by

meetings, a current of opinion favorable to a commercial treaty between France and the government of Washington, it would perhaps already have been signed. Thanks to the indifference of a few persons and the animosity of one other person, the 630,000 francs set apart for the Philadelphia Exhibition have been of no benefit to our manufacturers.

Our exporters wait for the treaty which will prevent the sudden variations of duties. This treaty will be valuable to France because calamities like the Lyons crisis will become henceforth almost impossible with us. It will be no less valuable to the United States because it will enlarge and strengthen the sources of public prosperity in the United States.

How shall we prevail upon the Americans to introduce in their laws the change which has taken place in Europe. Accord can only result from a movement begun in France and co-operated in over there. If French energy is persistent, the rest will follow, since competent Americans have already promised to second our efforts in Paris.

A committee acting in Paris will see its work completed by another committee established in New York or in Boston. The country will be ripe for it in 1878. There will be opened during the Exhibition between the American exhibitors and our compatriots the debates which always precede the signing of an important treaty. The foundations of the treaty can be determined upon: and when the Americans go back to the United States,

the governments of Versailles and Washington will have nothing to do but to ratify the conditions of the treaty guaranteed by the interested parties themselves. This end will justify the work which has long been carried on by some of the most honorable representatives of French industry. It will be attained, if common interests once well understood unite industries which division paralyses and constitute of all these shattered forces one continuous chain.

IV.
COMMERCIAL RELATIONS WITH
FRANCE.*

BY J. S. MOORE.

It is generally admitted that, in order to revive our commerce and industry, it is absolutely necessary to have a more extended foreign trade.

The total imports from France in 1877 amounted to \$50,355,540, and our total exports to France in 1877 amounted to \$46,233,793: the grand total being \$96,589,333.

* Reprinted by permission from an article in the *North American Review*, for May and June, 1878.

In justice to Mr. Moore it should be stated that this article was written prior to Mr. Chotteau's visit to this country; and was sent to the *North American Review* early in February last. It will thus be seen that the important question of our better commercial relations with France, took its initiation on our own soil, at the very time when the great economists of France were considering the same subject.

The imports and exports of bullion comprised in the above figures were: Imports of bullion from France, \$2,799,248; exports of bullion to France, \$2,135,450—showing an increase of imports in bullion over exports of \$663,768: yet the actual balance of trade was against us to the amount of \$4,121,747. This circumstance in itself is by no means a very serious feature, as it has been proved over and over again that a country can be, and, as an example, during the last few years the United States has been, in commercial and industrial distress, with the balance of trade in the aggregate in her favor. But when we analyze the nature of our trade with France, we find the result far from satisfactory. Of our \$46,233,793 exports to France, twelve items represent no less than \$44,336,013, as follows:

Cotton, raw,	\$25,450,939
Provisions,	4,662,844
Petroleum,	3,355,104
Leaf-tobacco,	2,491,421
Bullion,	2,135,450
Breadstuffs,	2,036,807
Copper in ingots,	1,880,000
Tallow,	1,234,260
Lumber, staves, etc.,	356,960
Hides and skins,	335,900
Whale-oil and whalebone,	251,054
Hops,	145,274
Total,	<u>\$44,336,013</u>

Leaving barely \$2,000,000 of exports for all manufac-

tured goods. As it will be observed that the above items represent the crudest agricultural products, bread-stuffs, petroleum, ingot-copper, tallow, etc., the question now arises, "Why do we not export more of our manufactures to France?"

As a comparison of our exports of the same manufactured goods to England, Germany, and France, respectively, the following table, of but a few items, will give the reader a better idea in how far we are cut off from the French market with our manufactures :

EXPORTS IN 1877.

ARTICLES.	To England.	To Germany.	To France.
Cotton fabrics,	\$1,740,365	\$257,944	None.
Iron and steel manufactures,	1,108,901	837,166	\$117,309
Leather of all kinds, including morocco,	4,785,265	1,527,076	19,515
Wooden-ware and furniture,	476,820	247,891	47,539
Sewing-machines,	479,710	587,684	38,281

It would be useless to follow up the list of smaller items, but the above gives a fair idea that we are precluded from selling our manufactured goods in the French market. And, what is still more melancholy, is the fact that this is not owing to our inability to compete, seeing that we do compete, both with England and Germany, in their own markets, with the manufactured goods so far named.

The unsatisfactory state of our commercial relations with France is owing to the fact that our commerce is classed under the general tariff of France, and we are not allowed to participate in the benefits of the liberal treaty tariff. It should be understood that the French

have two distinct tariff laws. The one (the old tariff) is called *tarif général*, full of prohibitions and high rates of duties, and the other the *tarif conventionnel*, which is the celebrated Cobden treaty tariff, and only nations who have an express commercial treaty with France come under the category. The nations who have a commercial treaty with France are—Great Britain, Belgium, Italy, Switzerland, Sweden and Norway, the Netherlands, Portugal, Austria, Turkey and Germany.

Any of these nations sending fabrics of cotton to France are charged a duty in a specific form, averaging from 40 francs for 100 kilos (or 220 pounds) to 95 francs on unbleached cotton goods. But if it comes from any other country, that has not a commercial treaty with France, for instance from the United States, it is prohibited entirely.

Iron, for instance, pays under the treaty tariff a duty of 6 to 7 francs 50 centimes per 100 kilos. But, if it comes from the United States, the duty is 15 francs to 19 francs per 100 kilos.

Tanned leather pays a duty of 10 to 60 francs per 100 kilos under the treaty tariff, while under the general tariff the duty is from 57 to 147 francs per 100 kilos.

Machinery, under the treaty tariff, pays a duty of from 6 to 10 francs per 100 kilos, but under the general tariff the duty is from 21 to 75 francs per 100 kilos. And so it goes on through the whole tariff list on manufactured goods. What is not absolutely prohibited, is charged

from three to four times more under the general tariff than under the treaty tariff. Thus it will be seen that we are precluded from having a trade with a great country like France, in manufactured goods, not because we do not manufacture articles she needs or wants, or because they are really too dear, but simply because the tariff law of France prevents the trade.

It should also be understood that, in the several articles we do export largely to France, such as raw materials, grain and provisions, no difference is made in France in the duties, if they came from tariff-treaty countries or others.

This, then, explains the whole mystery why, in an export of over \$46,000,000 to France, less than \$2,000,000 is made up of manufactured goods. Now, France is no doubt perfectly willing to allow us to come in under the treaty tariff. But she says (and perhaps not very wisely): "As long as you in the United States charge a heavy duty on our products, we cannot admit you to our liberal tariff. What we want is reciprocity."

It will therefore be necessary now to explain in how far our high duties injure imports from France. First, I will show the chief imports from France in 1877, and the rate of duties charged on them.

Of the \$50,353,540 imports from France in 1877, \$7,201,881 were admitted into the United States free of duty, leaving some \$43,000,000 imports dutiable, and the chief items were as follows:

ARTICLES.	Value of Imports.	Rate of Duty, calculated ad valorem.
Buttons of all kinds,	\$842,647	30 per cent.
Articles of clothing,	127,633	56 "
Cotton fabrics,	2,231,058	Average 40 "
Earthenware,	544,320	" 40 "
Fancy goods,	1,784,970	35 "
Sardines,	685,164	50 "
Linens, etc.,	354,162	40 "
Fruits of all kinds,	521,349	25 "
Furs and dressed skins,	781,769	20 "
Glassware,	250,329	45 "
Iron and steel manufactures,	401,082	Average 40 "
Leather of all kinds,	3,095,685	25 "
Kid gloves,	1,186,109	50 "
Leather manufactures,	142,501	35 "
Metals,	290,499	Average 30 "
Olive oil,	297,796	51 "
Paintings, etc.,	378,661	10 "
Precious stones,	1,032,758	10 "
Manufactures of silks,	12,709,932	60 "
Watches, clocks, etc.,	230,419	25 "
Spirits, brandy,	1,100,966	104 "
Wines, champagne,	1,613,417	51 "
Still-wines in casks,	951,055	85 "
Manufactures of wool,	7,682,345	Average 56 "
Total,	\$39,236,626	

It will thus be seen that nine items alone, amounted to \$26,354,417 out of these \$39,236,626 imports, pay a duty of fifty per cent. and over in the United States :

ARTICLES.	Value of Imports.	Rate of Duty, calculated ad valorem.
Silks,	\$12,709,932	60 per cent.
Manufactures of wool,	7,682,345	56 "
Brandy,	1,100,966	104 "
Still-wines,	951,055	85 "
Kid gloves,	1,186,109	50 "
Champagne,	1,613,417	51 "
Olive oil,	297,796	51 "
Articles of clothing,	127,633	56 "
Sardines,	685,164	50 "
Total,	\$26,354,417	

Then arises the question whether, for the sake of obtaining revenue, we can afford to lower our duties on the above articles in order to conciliate the French trade.

There is no doubt that lower rates of duties on silks, manufactures of wool, sardines, kid gloves, clothing, and olive oil, would bring us more revenue than we get now from these products.

The tax on brandy is not higher in the United States than it is England, while the duty on wine requires more a revision of classification than actual lowering of rates. It is true, the duty of forty cents a gallon on cheap red wines is too high, and should be lowered; but champagne, at six dollars duty on a dozen quart bottles, is barely equal to fifty-one per cent. Thus, it will be seen that the reciprocity tariff question with France is more or less complicated; yet France is decidedly punishing her commerce by keeping us out of the "treaty tariff." She deprives herself largely of the benefits of having many of our manufactured articles cheap, because we tax heavily her silks and wines, which, as is seen, we are still obliged to import largely, notwithstanding the high rates of duties.

Again, France for the last seventeen years has had ample proof that a liberal trade with nations is of the greatest benefit to her.

How strange, and, if I may be allowed to say, blind, is a commercial policy which says, "Because you are taxing your people in the United States sixty per cent. on silks,

we in France will tax American leather fifty per cent., and, by so doing, we will not have as cheep boots and shoes saddlery, and other leather goods, as the English and Germans, who do not tax American leather!" Is it possible for so enlightened a nation as France not to see that a tariff policy which actually deprives the treasury of revenue (as is the case with American cotton goods, now prohibited in France) injures both the revenue and the consumers.

France has found it profitable to buy cotton fabrics and many other articles in England. She certainly does not buy these manufactures simply because all kinds of French products, except spirits and wines, are free in England. But she does buy them because they are cheap, and both trade and consumers are benefitted. If there were no benefits derived from these English products in France, the Frenchman would not buy them. Why, then, should France deprive herself of our manufactures, which the English are buying from us, and in many cases, no doubt, selling them to France as English goods?

The interest of a great commercial nation is to allow its people to have the benefits of the world's productions, without hindrance, from the cheapest markets, subject to judicious charges as are absolutely necessary for the maintenance of the state.

There can be no doubt that a satisfactory commercial understanding can be accomplished between the United

States and France, in a thorough exchange of liberal views, by the eminent men who are now presiding over the destinies of each country.

The commercial interests of both countries, the value and amount of the trade, are set forth in this article, and there can be no doubt that, by a fair commercial understanding, our trade with France can in a few years be doubled, both to exports and imports. That such a happy consumation will give employment to tens of thousands in both countries, be a great boon to consumers, commerce, and industry, and besides add revenue to the Treasury, no one, who can bring only average intelligence to the question can doubt.

V.

THE FRANCO-AMERICAN TREATY OF COMMERCE.

APPEAL OF THE FRENCH COMMITTEE TO THE PEOPLE
OF THE UNITED STATES.

CITIZENS OF THE UNITED STATES:

AT present no treaty of commerce exists between France and the United States. The absence of any such treaty is equally prejudicial to both countries. It is important, therefore, to bring about a modification in the existing state of things, and, if possible, to convert, for the more ready interchange of our respective products, the general tariff into a conventional one, which should be rendered acceptable to all parties interested prior to its ratification at Washington and Versailles.

A committee, for the purpose of stipulating the basis upon which such a treaty should be drawn up, has been formed at Paris, and we would now request of you to organize in the United States a like committee, which

would at once enter into communication with us on the subject. The co-operation of these two committees might then, without loss of time, so combine their efforts as to prepare the way for a Franco-American Congress, to be held in Paris during the exhibition of the present year. After careful investigation and close discussion by the Congress of the whole question, resolutions might be adopted and submitted with a higher degree of confidence to the governments and parliaments of France and the United States.

From that moment, the part we shall have been called upon to enact will be at an end. Much will, however, remain for us to accomplish, in view more especially of awakening public attention to the necessity of promulgating a law which, whilst better ministering to the wants of the two nations, would finally assume the form of an international agreement.

Our interests, although in reality identical, are rendered antagonistic by existing legislation. On what ground will it be possible to reconcile them? Whilst not attempting any absolute solution, or the use of means involving sudden and radical changes, we have hopes to attain our end by the advocacy of a more practical measure, viz., that offered by the gradual reduction of tariff rates.

Mr. Sherman, your minister of finances, has moreover taken this view of the question, a view which, we trust, will be acceptable to all. The sixth report of the

commission appointed by Mr. Sherman, for the purpose of modifying the custom-house duties of the United States, shows that, out of more than 2,500 articles rated, 823 pay *ad valorem* duties averaging from 10 to 75 per cent., 541 pay specific duties, 144 pay taxes of various sorts, and 1,000, although not enumerated, are always liable to certain dues.

These 2,500 articles do not yield to your public treasury as much revenue as you would be justified in expecting from fifteen or twenty articles less heavily rated. Such is the conclusion at which the report seems to point.

The sub-committee of ways and means of the House of Representatives at Washington was doubtless actuated by the same conviction when it promised to modify your tariff, so as to favor the importation of European goods into the states, and to put new life into your export trade.

Such action on the part of Mr. Sherman and the sub-committee of Congress, in favor of a diminution of custom-house rates, shows that facts have enlightened the Republic of 1776.

For over a century the current of emigration flowed without abatement towards your shores. Of late, however, the tide has slackened, and it decreases annually. Have you not been compelled to admit that, within the last few years, many an emigrant has gone back home to Europe, in consequence of his not being able to find proper remuneration for his labor in the United States?

How comes it that, in the midst of any amount of work waiting to be accomplished, no work is done, when capital abounds in your midst?

Whence is the evil?

Your answer may be that crises have alarmed the United States at times when custom-house rates did not reach an unreasonable limit. You must perforce acknowledge, however, that the tariff which obtains to-day has in a great degree contributed towards and aggravated your sufferings.

Did you reflect on the depressed state of industry in America, you would at once see that heavy taxes are always paid by the consumer.

The mean average of custom-house rates being forty per cent. in the United States, and constituting a prohibitory tariff, why hesitate to seek with us the possibility of opening to yourselves anew those markets of the outside world, which a too rigorous legislation has closed to your energy and exertions?

You can no longer say: To buy an article in France is tantamount to encouraging French industry, at the expense of home industry, and is doing an injury to one's country. You have long since admitted that a barrel of Bordeaux wine, when unloaded at the wharf at New York, at once causes the purchase of a sack of corn or a barrel of petroleum. The products of each country should be rendered more easily interchangeable, as every sale induces a corresponding purchase.

If the sub-committee of ways and means of the House of Representatives at Washington obtains from Congress the custom-house reforms it recommends, France will have no guarantee against the possibility of a subsequent increase of rates; for, if to-day you lower your duties, you may think it advisable to raise them to-morrow. Has not your tariff been remodeled some forty times since 1789?

And supposing that your legislators should maintain, even for a lengthened period, the admitted reductions, their faith in respect to the future would in no wise remove the obstacle offered by the general French tariff. Our tariff, in fact, prohibits, in the most absolute manner, the entrance into France of your cotton and most of your woollen staples, such of your cast-iron products as do not belong to a particular category, your wrought-iron and most of your works in metal, your refined sugar, your varnished or dyed leathers, etc., etc.

A conventional tariff, whilst regulating your interests and our own, would bring to the two great Republics that security which quickens energy, and encourages enterprise on a large scale.

Such a treaty cannot prove obnoxious to France and the United States if private initiative first determine the basis which the Paris Congress will be called upon to construct.

Let us therefore mark out a common line of action, and endeavor by co-operation to facilitate the task al-

lotted in last resort to the parliaments of both countries.

And you, on your side, give us the tangible proof that our voice finds an echo on the other side of the Atlantic, and that you accept—by the formation of a central American committee in your midst—our offer to cement a more substantial and enduring link than that which has for some time past existed in our relations of trade and amity.

Paris, Feb. 3, 1878.

MENIER,—PRESIDENT,

Manufacturer, member of the Paris Chamber of Commerce, representative of the department Seine-et-Marne in the Chamber of Deputies.

L. HIÉMARU,—VICE-PRESIDENT,

President of the General Syndicate of the Union Nationale du Commerce et de l'industrie.

ALFRED KÉCHLIN-SCHWARTZ,—TREASURER,

Manufacturer.

LÉON CHOTTEAU,—DELEGATED MEMBER,

Publicist.

EDMOND DUTEMPLE,—SECRETARY,

Publicist.

MEMBERS.

F. BARDENBIENE, President of the union of bronze manufacturers of Paris.

EMILE BRELAY, Manufacturer, representative of the Department of Seine in the Chamber of Deputies.

COURCELLE-SENEUIL, Economist.

DIETZ-MONNIN, Manufacturer, ex-deputy, director of the French section at the Exhibition of 1878.

LÉON DROUX, Civil engineer.

PASCAL DUPRAT, Representative of the Department of Seine in the Chamber of Deputies.

HENRI FOULD, Commission merchant.

E. DE GIRARDIN, Editor of the French political organ *La France*, representative of the Department of Seine in the Chamber of Deputies.

YVES GUYOT, Editor of the French political organ *Le Bien Public*.

ADOLPH HONETH, President of the Paris Chamber of Commerce.

OSCAR DE LAFAYETTE, Senator.

EDOUARD LABOULAYE, Member of the French Institute, Senator.

LAISANT, Representative of the Department of Loire-Inférieure in the Chamber of Deputies.

LAURENT-PICHAT, Senator.

LEVOIS, Member of the Paris Chamber of Commerce.

GUSTAVE DE MOLINARI, Corresponding member of the French Institute, connected with the *Journal des Débats*.

MAURICE ROUVIER, Representative of the Department of Bouches-du-Rhône in the Chamber of Deputies.

SCHEURER-KESTNER, Senator.

CHARLES-MAURICE DE TALLEYRAND-PÉRIGORD.

P. TIRARD, Representative of the Department of Seine in the Chamber of Deputies.

WILSON, Representative of the Department of Indre-et-Loire in the Chamber of Deputies.

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ECONOMIC MONOGRAPHS. No. X.

AN ESSAY ON FREE TRADE

BY

RICHARD HAWLEY.

"Commerce should be as free as the winds of Heaven."—PATRICK HENRY.

"Free Trade, one of the greatest blessings which a government can confer on a people."—THOMAS BABINGTON MACAULAY.

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1878.

TO
DAVID A. WELLS
THE DISTINGUISHED ADVOCATE OF ECONOMIC TRUTH,
THIS ESSAY IS RESPECTFULLY INSCRIBED.

AN ESSAY ON FREE TRADE.

DURING the past few years the people of the United States have been passing through the most severe commercial crisis known to the present generation. Business has been largely prostrated; and some branches of productive industry paralyzed: multitudes of working men have been unable to find employment by means of which to support themselves, and those dependent upon them. A long roll of shattered fortunes and bankrupt estates add the finishing stroke to the otherwise sad and gloomy picture. We naturally inquire what is the cause? To my mind government is largely at fault. The men who controlled the national councils, and framed our laws from 1861 to 1867 inclusive, departed from a fundamental principle of political economy. They legislated more in the interests of monopoly than with an eye single to the public good, thereby largely augmenting and prolonging the evils inevitably resulting from our civil war. Professor Perry, in his Political Economy says: "Congress seized the opportunity of the withdrawal of the South-

ern members for discriminating in favor of the articles in which they were interested, even to the extent of diminishing the revenue." Professor W. G. Sumner, of Yale College, writes: "I believe that the historian, when he comes to criticize this period in our history, will say, that the welfare of a great nation never was so recklessly sacrificed by ignorant empiricism in legislation, nor the patriotism of a great people ever so wantonly abused as in the tariff legislation of our war."

At an early day in our history, Patrick Henry uttered these memorable words; "Commerce should be as free as the winds of Heaven; a restricted Commerce is like a man in chains, crippled in all his movements and bowed to the earth; but let him twist the fetters from his legs and he stands erect." This is Free Trade, as opposed to Protection. Its examination will be practical rather than theoretical; and will embrace the experience of Great Britain as well as that of the United States. A tree is known by its fruit. This is more than a divine proposition. It is a human test to which Protectionists, and Free Traders alike, appeal. By this criterion let the merits of the two principles and systems be tried; the one to be adopted, the other to be repudiated. In England the dividing line between Free Trade and Protection is found in the repeal of the Corn Laws in the year 1846. The condition of the country prior to that event, with its subsequent condition, will form the ground on which an intelligent judgment may be formed in regard to the

merits of the rival systems. While the United States do not afford as good a basis of comparison as England, one ample for the purpose is found in the decades, first from 1840 to 1850, and second from 1850 to 1860.

Without excluding our previous history, but making drafts upon it whenever it sheds additional light upon the subject, these two decades will be mostly relied on to furnish evidence on which to form a reliable conclusion. The first period embraced four years of high Protection, and the last decade was one of uninterrupted Revenue Tariff and Free Trade. The Reciprocity Treaty with Canada operated for six years of the time. There was a monetary depression in each decade, first, in connection with the resumption of specie payments in 1842, and, second, the bank panic and suspensions of 1857. The selection of these periods avoid all the derangements of business incident to the war, including that of a greatly expanded currency. In examining this great question in the light of history, it will be found, that Protection has provoked many wars and rebellions. The war of the Revolution from which we date our own independence as a nation, was of this character. The historian Bancroft says: "American Independence like the great rivers of the country, had many sources, but the head spring, that colored all the stream was the Navigation Act." "This odious measure provided that no commodities whatever, being the growth, product, or manufacture, of Asia, Africa or America, should be imported into England or her

Colonies, except in ships belonging to English subjects, and of which the master, and the greater part of the crew, were also English. Subsequently the ordinance was re-enacted with additional clauses, virtually excluding foreign ships from American harbors, and sacrificing to English monopoly the natural rights of the Colonies."

In keeping with these despotic regulations, directed against the commerce of the Colonies, were laws for the suppression of important manufactures, as well as their internal trade. "In the land of the beaver no man could be a hatter without having served an apprenticeship of seven years at the trade, nor could an American hat be sent out of one province into another. In a land abounding in iron ore, wood and coal, slitting mills, steel furnaces, and plating forges, to work with a tilt hammer, were prohibited as nuisances. Even Lord Chatham, the best friend of the Colonies in the English Parliament, declared, that in a certain probable contingency, he would be for prohibiting in the Colonies the manufacture of so much as a horse-shoe or a hob-nail. Lord Sheffield at a latter period, declared the only use of the American Colonies to be "the monopoly of their consumption and the carriage of their produce."

As might have been foreseen, these violations of natural law soon worked their own overthrow, and the mother country lost the brightest jewels in her crown of empire.

It is said there is no loss without some gain, and cer-

tainly that was true in this instance; not only as it respects our own country, but also England, for she was led thereby to re-examine the foundations of her commercial system, and by degrees to adopt the policy of Free Trade; which has made her richer, greater, and more powerful than ever before. It is worthy of note, that in the very year in which the Colonies declared their independence, 1776, Adam Smith completed his imperishable work entitled, "An Enquiry into the Nature and Causes of the Wealth of Nations."

In 1817, three members of Parliament initiated a movement for the repeal of the salt duty. The duty had been levied for one hundred and twenty-five years, and was yielding a revenue to the government at the rate of one and a half millions of pounds sterling per annum. Their effort was opposed by the agent of the salt monopolies, who asked that the duty might be made prohibitory; considering it entitled to the same protection enjoyed by other interests. The movement however, progressed, and after a five year's struggle, the duty was entirely abolished. Thus fell, what Thomas H. Benton characterized, as "an odious, impious, and criminal tax."

In the year succeeding the repeal of the salt tax, the Navigation Act was modified so as to exempt from its provisions those nations who allowed equal rights to British shipping, thus avoiding the necessity of the ridiculous and costly practice of ships crossing the ocean in ballast, for the sake of the return cargo. The abandon-

ment of this phase of protection justified the most sanguine predictions and expectations of its friends. The national tonnage during the preceding nineteen years increased but 10 per cent.; whereas, during the succeeding twenty-one years it increased 45 per cent.

The leaven of Free Trade principles continued to work in England under the wise and skillful supervision of Richard Cobden, and reached its culminating triumph in the repeal of the Corn Laws, in 1846. The measure passed the House of Commons by a majority of 97, and the House of Lords by 47.

INCREASE OF EXPORTS AND IMPORTS.

"The exports of England in 1842 were £113,841,862 sterling. In 1865 they were £363,067,112 sterling. The imports in the same period rose from £65,253,286 to £181,806,048. The number of articles subject to duty in the customs tariff of 1842 was 1150. The number of articles charged with duty in 1870 was 43—the duty on these was not of a protective character. The revenue kept remarkably steady under the successive remissions of duty; being about the same in 1870 as in 1842,—that is, between twenty-two and twenty-three millions of pounds sterling. The list of dutiable articles is now reduced to a bare dozen, and the customs revenue raised almost entirely from tea, coffee, tobacco, spirits and wine."

THE CONDITION OF THE COUNTRY PRIOR TO 1846.

While Free Trade principles began to work toward the close of the last century, there was no association for their promulgation until 1838, when a Free Trade organization was formed at Manchester, on the occasion of a public dinner to Dr. Browning. The fifty or sixty gentlemen present formed the nucleus of the movement which in eight years won a signal and lasting triumph. The evidence is conclusive which shows that the state of the country at this time was very much depressed; wretchedness, turbulence and crime abounded on every hand.

The following extracts from Prof. Fawcett's new book will show the deplorable condition of the rural population, and of the commercial classes of England under the Protective system. It is scarcely necessary to say that the political economist of Cambridge University is especially well informed in all that bears on Free Trade and Protection in England: "The period to which I refer was one of the profoundest peace—the National expenditure was at its lowest point, and yet during these thirty years, from 1815 to 1843, there was absolutely no development in the trade of the country. In 1841 the exports were about fifty-one millions a year, the precise amount at which they stood a quarter of a century previously. * * * During the thirty years that the Corn laws were in existence, five Parliamentary com-

mittees were appointed to inquire into the cause of agricultural distress. During the thirty years since 1845 agriculture has had no protection; and although there have been times when unpropitious seasons caused losses to farmers, yet on no single occasion has the general condition of agriculture been such as to call for a parliamentary enquiry; but distressed as was the condition of agriculture during the continuance of the Corn Laws, the general trade of the country was, if possible, in a more unsatisfactory position."

On the same subject and in the same connection Prof. Fawcett says: "With this decline in the prosperity of the farmer, and with this decrease in the amount of capital which he could afford to employ in the cultivation of the land, it was inevitable that there should be a marked deterioration in the condition of the agricultural laborer. There probably never was a time when the rural laborer was in a more deplorable condition. With the diminution of the farmers' capital the demand for labor decreased, and the general trade of the country had become so paralyzed that there was no outlet for the unemployed labor which was steadily accumulating in the rural districts. Wages were consequently reduced to a minimum, often not more than 7s. or 8s. per week could be earned, and the greatest distress prevailed in the rural districts."

Martineau's history describes as follows the distress of the manufacturing districts:

"The operatives were first employed half time; then they had no work, and were known to be living upon their savings; then there were public meetings to consider what could be done; and public subscriptions which came to an end while yet no prospect opened; and then there were a thousand operatives employed on the roads in one place, and five thousand, ten thousand, fourteen thousand, seemed to be merely waiting for alms or death in others. As usual, crime began to abound, the murders came in batches—horrible poisonings, combination murders, murders for purposes of theft, from the nobleman in his bed, to the sawyer in his pit, abound in the chronicles of the period. New crimes arose, not bearing any immediate relation to the distress; as a vitiated atmosphere not only produces one frightful epidemic, but new or aggravated disease of other kinds. Ships were cast away one after another, from wretches boring holes to sink them in order to obtain the insurance." Concerning opium-eating: "It spread far more fearfully among the hungry; in the large manufacturing towns, the druggists now employed their spare minutes throughout the week in making up penny or two-penny packets of opium, for sale on Saturdays, when hundreds of poor creatures would come to receive from the long rows on the counter the packet which was to give them stupor till the miserable Monday morning."

"A committee of inquiry reported in 1842 that one-quarter of the population in Carlisle was in a state of

starvation. In Stockport more than half the master-spinners had failed before the close of 1842; 5,000 persons were walking the streets in idleness. The great body of Lancashire operatives knew that their employers were sinking into ruin and had nothing to give them but out of their dwindling capital. In the potteries a force of 6,000 malcontents, spread over an extent of seven miles, and occasionally committing violence on recusant masters or men, kept Staffordshire in alarm."

These extracts from the history of the period could be multiplied indefinitely, all going to show that the country was in a feverish state of suffering and discontent. The great and aggressive Chartist movement flourished in the decade immediately preceding the repeal of the Corn Laws;—a movement that disturbed the peace of the country and threatened the very existence of the Government. On the 10th of April, 1848, their last organized meeting was held in London. It was a very imposing affair. Louis Napoleon was one of the vast number of special police enrolled on that occasion to aid in preserving the public peace. The huge petition containing one and a half million names in behalf of the reforms demanded by the Chartists was sent to the House of Commons, after which the meeting quietly dispersed. History says that they were heard of no more as Chartists. The reader will draw his own inference as to whether the improved state of the country as it will presently appear had anything to do with this result.

Lord John Russell, Sir Robert Peel and W. E. Gladstone, were a unit in opposition to Protection and in favor of Free Trade. Lord John Russell wrote in October, 1845, "Let us then unite to put an end to a system which has proved the blight of commerce, the bane of agriculture, the source of bitter divisions between classes, the cause of penury, fever, mortality and crime among the people."

Sir Robert Peel, under whose leadership the final change from Protection to Free Trade was effected, in referring to the matter in his speech on the passage of the bill, and in a subsequent speech on the eve of retiring from power said: "You have a right, I admit, to taunt me with my change of opinion on the Corn Laws; but when you say that by my adoption of the principles of Free Trade, I have acted in contradiction to those principles which I have always avowed during my whole life,—that charge, at least, I say, is destitute of foundation. *

* * Our object was so to apportion taxation, that we should relieve industry and labor from any undue burden, and transfer it, so far as is consistent with the public good, to those who are better enabled to bear it. I look on the present peace of this country; I look on the absence of all disturbance,—to non-commitment for any seditious offence; I look to the calm that prevails in the public mind; I look to the absence of all disaffection; I look to the increased and growing public confidence on account of the course you have taken in re-

lieving trade and industry from unjust burdens, and where there was dissatisfaction I see contentment; where there was disturbance I see there is peace; where there was disloyalty I see there is loyalty." In his farewell speech he said; "I shall surrender power severely censured by those who, from no interested motives, adhere to Protection, considering it essential to the welfare and interests of the country. I shall leave a name execrated by every monopolist, who, from less honorable motives, clamors for Protection, because it conduces to his own individual benefit; but, it may be that I shall leave a name sometimes remembered with expressions of good will in the abodes of those whose lot it is to labor, and to earn their daily bread by the sweat of their brow, when they shall recruit their exhausted strength with abundant and untaxed food, the sweeter because it is no longer leavened with a sense of injustice."

In the beginning of 1849 the complete repeal of the Navigation Laws took place; by this measure the coasting trade of Great Britain was thrown open to unrestricted competition. Referring to this, history says,— "The improvement in the construction of ships, the qualification of seamen, and in the management of commerce has equalled the highest expectations; and the expansion of trade has far exceeded it."

The last discussion of Free Trade principles in the British Parliament, during the period embraced in Martineau's history, occurred in the autumn of 1852, when

Mr. Villiers and Lord Palmerston in the one House, and Lord Clanricarde in the other, offered a Free Trade resolution. "The consequence being an opposition which tested the force of the Protectionists for the last time. The Protectionists found the cause lost beyond retrieval." The majority of the House of Commons was so remarkable that it demands a place in history. The resolution was, "That the improved condition of the country, and especially of the industrious classes, is mainly the result of recent legislation, which has established the principle of unrestricted competition, has abolished taxes imposed for the purposes of Protection, and has thereby diminished the cost, and increased the abundance of the principal articles of the food of the people." As the same economic principles apply to the distribution of all the necessities and comforts of life, the entire doctrine of Free Trade was affirmed by the Commons of the British Empire, when 458 members supporting the resolution were met by only 53 against it. Here ended the controversy in the leading commercial country in the world.

In 1856, Gladstone, then Chancellor of the Exchequer, spoke as follows: "There is one domestic feature which I wish it was in our power effectually to exhibit to the governments and inhabitants of foreign countries. They know by statistics which are open to the world the immense extension which our commerce has attained under and by virtue of freedom of trade, and the great ad-

vancement that has happily been achieved in the condition of the people. But they do not know what it has cost us to achieve this beneficent, nay, blessed change—what time, what struggles, what interruptions of the great work of legislation; what animosities and divisions among the great classes which make up the nation; what shocks to our established mode of conducting the government of the country; what fears and risks at some periods of public convulsion! These were the fine and penalty we paid for long adherence to folly; we paid this fine and penalty on returning to the path of wisdom which, too late, we wish we had never left.”

In J. R. McCulloch’s “Commercial Dictionary,” published in 1869, Free Trade receives the strongest possible support. In referring to the changes effected under Sir Robert Peel, it says: “These were so very extensive, that they left but little for others to accomplish; and that little having been since effected, our commercial policy is of the most liberal character. The time anticipated by the poet has already come:

“When free as sea or wind,
Unbounded Thames shall flow for all mankind,
Whole nations enter with each swelling tide,
And seas but join the regions they divide.”

—POPE.

In “Chambers’s Encyclopædia,” published in 1860, under the head of Free Trade, the conclusion which has been reached in England is stated as follows: “Free Trade expresses the most important and fundamental

truth in political economy." Again, "It has in reality been established as the result of a double experience; the one being the failure of all deviations from it; the other, the practical success of the principle during the short time in which it has been permitted to regulate the commerce of the country."

A recent Encyclopædia, "The National," published in London, Glasgow and Edinburgh, by William McKenzie, discusses Free Trade under several heads. A paragraph under the head of "Capital" is as follows: "The paramount value of capital should never be overlooked by government; unwise laws, restrictions upon commerce, improvident taxation which are unfavorable to its growth should be dreaded as poison to the national wealth and happiness. But while the national growth of capital should not be interfered with by restrictions, the opposite error of forcing it into particular channels should equally be avoided. Industry requires from a government nothing but freedom for its exercise, and capital will then find its own way into the most productive employments: for its genius is more fertile than that of statesmen, and its energy is greatest when left to itself."

Although thirty-two years have elapsed since the advent of Free Trade in England, there has been no change in public sentiment on the subject, only that this is more confirmed than ever in favor of the policy. On this subject I speak with confidence, for the evidence is of the most conclusive kind. Only yesterday a note dated

London, August 1st, 1878, written by an intelligent and trustworthy gentleman, once a resident of the United States, contains the following :

“ It is my conviction that this country will never disavow or revoke her Free Trade principles and measures, happen what may.”

In observing carefully the transition from Protection to Free Trade in England, three things deserve particular attention. First, is the pressing need that existed for relief from the ills under which the country was suffering. Second, the large benefits which the measure effected. Third, the strength of the vote by which the change was made, and more especially the almost unanimous vote which occurred six years afterwards, by which 458 members of the House of Commons, to 53, endorsed the results of the great commercial revolution.

THE TARIFF QUESTION IN THE UNITED STATES.

In our own country, from 1824 to 1833, the demands of the Protectionists threatened the peace of the nation, causing those bitter animosities and divisions so graphically described as having taken place in Great Britain.

The question, however, was put temporarily to rest by the adoption of the Compromise Tariff of 1833, providing that duties should be reduced every alternate year during the period of nine and a half years, until reaching the revenue standard of 20 per cent.

President Jackson, together with a majority of both

Houses of Congress, had been elected in opposition to the Protective system. Mr. Clay avowed that his object in framing the bill was, "to secure the protection to manufacturers, which everyone foresaw must otherwise soon be swept away."

President Jackson uses the following language in his annual Message of 1833: "Those who take an enlarged view of the condition of our country, must be satisfied that the policy of Protection must be ultimately limited to those articles of domestic manufacture which are indispensable to our safety in time of war. Within this scope, on a reasonable scale, it is recommended by every consideration of patriotism and duty, which will always, doubtless, secure for it a liberal support; but beyond this object we have already seen the operation of the system productive of discontent. In some sections of the Republic its influence is deprecated as tending to concentrate wealth in few hands, and as creating those germs of dependence and vice, which in other countries have characterized the existence of monopolies, and proved so destructive of liberty and the public good. A large portion of the public in one section of the Union declares it not only inexpedient on these grounds, but as disturbing the equal relations of capital by legislation, and, therefore, unconstitutional and unjust."

Thomas H. Benton has called attention to a feature of the tariff of 1833, which deserves to be recorded here. At the time referred to there was a coarse woollen cloth

called "Kendal cotton" manufactured in Connecticut, and worn by the laboring population all over the Union. The year before, the duty on this cloth was fixed at 5 per cent.; but in the Compromise Tariff which was intended to reduce duties, the rate on this article was advanced tenfold, to 50 per cent. The bill at the same time was framed to admit silks, cambrics and fine linens, free of duty; nor could the Protectionists be induced to let up on the heavy tax which they had cut and dried for the poor man's cloth. Mr. Clay himself declared, that without this feature in the bill it could not pass. This is a straw which may suggest, what hereafter will more clearly appear, that as a class, Protectionists have no bowels of compassion for the poor. Their sympathies are rather with those who dress in silk, cambric and fine linen; and, it may be, fare sumptuously every day. To the same purpose the Internal Revenue laws of to-day tax the poor man's beer one-dollar per barrel, while the rich man's still and sparkling Catawba is exempt from Internal Revenue taxation, just as the silks, cambrics and fine linens were exempt from import duty fifty years ago. The guileless and simple-hearted are in the habit of believing that legislation should lean towards the weak. They have an impression that "the whole need not a physician," and that the rich have no need to be protected by special legislation from the "wolf at the door."

The very first object of the Constitution of the United

States, after the formation of a more perfect union, was to establish justice; and in future legislation, whether relating to the tariff or otherwise, it is to be hoped that this cardinal principle of the organic law will be more strictly observed. To further portray the dissatisfaction and discontent caused by the tariff of 1824 and 1828, and to show the ground on which Kentucky, the home of Clay, accepted Protection, I quote from a speech made in the United States Senate, by the Hon. John Rowan, in 1828,

Mr. Rowan said: "It is in vain, Mr. President, that it is called the American system; names do not alter things; there is but one American system, and that is delineated in the State and Federal Constitutions. It is the system of equal rights secured by the Constitution—a system which instead of subjecting the labor of some to taxation with a view to enrich others, secures to all the proceeds of their labor, exempts all from taxation except for the support of the protecting power of the government. As a tax necessary for the support of the government, he would support it, call it by what name you please; as a tax for any other purpose, it had his individual reprobation. He was one of the organs here of a state that had by the tariff of 1824 been chained to the car of the Eastern manufacturers—a state that from that time, and now, was groaning under the pressure of that unequal measure—a measure from the pressure of which, owing to the prevailing illusion throughout the United

States, she saw no hope of escape by a speedy return to correct principles, and seeing no hope of escaping from the ills of the system, she is constrained, on principles of self-defence, to avail herself of the mitigations which the Bill presents in the duties which it imposes on foreign hemp, iron, spirits and molasses. The hemp, iron and distilled spirits of the West, will, like the woollens of the Eastern states, be encouraged to the extent of the tax indirectly imposed by this bill upon those who shall buy and consume them. Those who may buy these articles must pay to the grower or manufacturers of them an increased price to the amount of the duties imposed on like articles of foreign growth or fabric. To this tax on the labor of the consumers his individual judgment was opposed."

It is not to be understood from what Mr. Rowan has said, that Free Traders claim that the price of domestic articles is always enhanced to an extent equal to the duty paid on the rival articles of foreign growth or manufacture, but only that this is the rule subject to certain modifications and exceptions. On this subject, John Quincy Adams, a contemporary of Mr. Rowan, and from 1824 to 1828 President of the United States, as chairman of the House Committee on Manufactures in 1832, said: "The doctrine that duties of import seem to cheapen the price of the articles on which they are levied, seems to conflict with the first dictates of common sense. The duty constitutes a part of the price of the whole mass of the

article in the market. It is substantially paid upon the article of domestic manufacture, as well as upon that of foreign production. Upon one it is a bounty, upon the other a burden, and the repeal of the tax must operate as an equivalent reduction of the price of the article, whether foreign or domestic. We say so long as the importation continues, the duty must be paid by the purchaser of the article." * * * * *

The general and permanent effect must be to increase the price of the article to the extent of the additional duty, and it is then paid by the consumer. If it were not so, if the general effect of adding to a duty was to reduce the price of the article upon which it is levied, the converse of the proposition would also be true, and the operation for increasing the price of the domestic article would be to repeal the duty on the same article imported,—an experiment, which the friends of our internal industry will not be desirous of making. We cannot subscribe, therefore, to the doctrine that the duties of import, protective of our own manufactures, are paid by the foreign merchant or manufacturer."

"THE FATHERS."

Horace Greeley, in his "Political Economy," quotes "The Fathers," but their words do not go far enough to help Protectionists who live in the latter part of the nineteenth century. For example, Washington, in his first message to Congress, says: "The safety and interest of

the people require that they should promote such manufactures as tend to render them independent of others, for essential, particularly for military supplies."

The answer is that the United States can now supply themselves and foreign nations with essential articles, firearms and munitions of war. "Our improved firearms," says the Secretary of the Interior for 1860, "have already, especially rifles and pistols, obtained a reputation not alone in Europe, but in Africa, Asia and the Islands of the Sea. The machinery and tools for the armory at Enfield, England, were made at Windsor, Vermont, Hartford, Connecticut, and Chicopee, Massachusetts." In 1860, a year of peace, two factories in a New England City produced firearms to the value of over a million of dollars. In the same year we exported \$467,772 worth of gunpowder. From all of which facts we conclude that General Washington's advice is no longer applicable to our circumstances. John Adams is not quoted, possibly because he attributed the lion's share of our prosperity to commerce, but the excellent Madison, styled the Father of the Constitution, is. Referring to the "Useful Manufactures" that had been established, President Madison said: "That it may be expedient to guard the infancy of this improvement in the distribution of labor, by legislation of the commercial tariff, cannot fail to suggest itself to your patriotic reflections." In a later message he said: "In adjusting the duties on imports to the object of revenue, the in-

fluence of the tariff on manufactures will necessarily present itself for consideration. However wise the theory may be which leaves to the sagacity and interest of individuals the application of their industry and resources, there are in this, as in all other cases, exceptions to the general rule." Others will interpret the words of Madison, each for himself, but to my mind they do not afford one jot of comfort to the Protectionists of to-day, for two reasons: First. Modern Protectionists manipulate and adjust the tariff to protection, and not to revenue. The tariff of 1824, Mr. Greeley admits, was avowedly and entirely enacted in the interest of protection. Henry Clay defended the constitutionality of the bill, as originating in the Senate on this ground. Thus the rule of Madison was reversed: protection became the object of tariff legislation, and revenue the incident. Second. The question was about guarding the period of infancy. The leading manufactures have had ample time for growth and maturity; the infantile period has long since passed. A biographer of Henry Clay, in 1857, a Mr. Clark, considered it passed then; hence he said: "Because protection is no longer needed, many persons suppose it was never necessary."

But President Madison concedes the wisdom of Free Trade as a rule, and only claims that there are exceptions as to all other general rules. To show Madison's Free Trade views still further, the following is given from the Constitution Debates: "I own myself the friend of a

very free system of commerce. If industry and labor are left free to take their own course, they will generally be directed to those objects which are most productive, and that in a manner more certain and direct than the wisdom of the most enlightened legislature could point out. Nor do I believe that the national interest is more promoted by such legislative directions than the individuals concerned, yet I conclude that exceptions exist in this rule important in themselves, and claiming the particular attention of the committee." The exception here referred to was where reciprocal privileges were denied, as was the case under the British Navigation Laws at the time he spoke.

Vice President George M. Dallas, during the pendency of the tariff bill of 1846, and before giving the casting vote for that measure, said: "This exercise of the taxing power was originally intended to be temporary. The design was to foster feeble infant manufactures, especially such as were essential for the defense of the country in time of war. In this design the people have persevered, until these saplings have taken root, become vigorous, expanded and powerful, and are prepared to enter with confidence the field of fair, free and universal competition."

Thomas Jefferson is quoted on the side of Protection. In his second annual Message he said: "To cultivate peace, and maintain commerce and navigation in all their lawful enterprises; to foster our fisheries as nurseries of

navigation, and for the nurture of man, and protect the manufacturers suited to our circumstances."

The limitation of Jefferson implies that but a little protection would be required, nor would that little be needed long. In harmony with this view, more than two years before the expiration of his second term of office he advised the repeal of the duty on salt, "because a necessary of life, and much otherwise used," and what adds to its significance is that every Republican voted for the measure, and many Federalists; in fact, but five members voted against it. Add to this that the low tariff of 1789 was then in force, the duties of which were fixed originally on cotton goods at five per cent., on iron seven and a half, and on woolen five. This tariff, with duties, increased to an average of about thirteen per cent., lasted for twenty-five years. From all of which facts it may be inferred that if living, Jefferson would not be found in the ranks of modern Protectionists. Mr. Greeley quotes with approval Louis Blanc against competition as follows: "Competition is a source of general impoverishment, because it induces an immense and continual loss of human labor; because every day, every hour, everywhere, it reveals its empire by the annihilation of human industry—that is to say by the annihilation of capital, of the raw material, of time, of labor employed."

In scanning closely this wholesale denunciation of competition, it may be asked: is there a single principle that conserves the well being and prosperity of individual life that does not equally conduce to the prosperity of na-

tional life? If the individual needs to practice economy and industry, and to cultivate intelligence and virtue, to insure prosperity and happiness, so does the nation. And it would be just as absurd to restrict the application of these virtues to geographical limits, as it is to denounce competition when it crosses a national line, and to endorse it when operating within national boundaries. Economic principles know nothing of geographical or national limits.

I apprehend that the legitimate and logical outcome of Protection is an enforced and widespread communism, and that the writer whom Mr. Greeley endorsed, and whom we have quoted, had reached that conclusion, for, in advocating the establishment of government workshops, as it seems he does, he cannot logically stop short of advocating farming, in a word the absorption, by government, of every individual interest.

But are Protectionists as a class prepared to accept a principle that saps the foundation of individual enterprise and responsibility, blotting out emulation and competition, the very groundwork of the highest attainments in literature, science and art?

There is, however, no fear of the reversal of the maxim which attributes the life of trade to competition. It is founded on an indelible element of our being, and those who war against it war against nature.

That the protective system leads to communism, is supported by the fact that Pennsylvania, the "Hub" of

protection, has suffered more than any other state from the outbreaks of the communists. This is not a mere coincidence; it is cause and effect—"sowing to the wind, and reaping the whirlwind."

Many citizens of Pennsylvania agree perfectly with George M. Dallas that the time has more than come to lay aside the swaddling clothes of protection forever, and to occupy "with confidence the field of free, fair and universal competition." One of Pittsburg's leading editors said to the writer in 1872: "Our best men now admit that it is protection that has killed us, by over stimulating our industries." It is gratifying to know that all over this broad land earnest and significant protests are being made to a system which acts as a blight and a mildew on the productive powers of the nation.

No apology is needed for giving the following quotation, from an editorial in the *Galveston (Texas) News*: "The Pennsylvania Democracy follow the example of the National and Republican conventions of the same state in attesting their adhesion to the monstrous system of spoliation, which has insulted its victims, the toiling and consuming masses of the country, by flying the banner of protection to home industry. Manufactures should be encouraged, say these Democratic Protectionists of Philadelphia, so that steady employment and fair wages may be yielded, while safety of investment and moderate returns for its use, belong to capital. And yet for nearly twenty years legislation has been

systematically shaped to the encouragement of manufactures, under the pretense of securing steady employment and fair wages to labor, as well as safety of investment to capital. With this professed object, every device of discrimination, restriction or prohibition has been tried to exhaustion, and with what result?

Pennsylvania alone, not to go for an answer to other states, may tell in her industrial and social conditions the disastrous tale.

The protection, so-called, has reached its climax, with thousands of laborers on the one hand, not only denied fair wages, but without employment on any terms, and drifting into turbulent and destructive desperation, and with manufacturing capitalists on the other hand, once so complacent and lordly, in consternation at the perfect work of legislation designed for their peculiar benefit, but which is found at last drying up home as well as foreign markets, loading them with over-productive and idle machinery, and girding them round with the perils of the most discontented and most revolutionary labor population in the continent.

PROTECTIONISTS AT CROSS PURPOSES WITH THEMSELVES.

"A man cannot serve two masters," neither can a house divided against itself stand. It is just here that Protectionists attempt the impossible, and place themselves in a position which is fatal to their plea. They protect capital in its preferred forms, while they avail

themselves of free trade in labor. This they have freely done, when they have through immigrant aid societies brought into the country skilled European workmen.

In this way they have reduced wages by competition, inasmuch as the law of supply and demand, within certain limits, not only regulates the price of the products of labor, but of labor itself. They have championed the importation of the cheap Coolie labor of China. In proof of this I refer to a Protectionist journal, formerly published in Detroit called the "Protectionist." One of its numbers contained an editorial comparing American and adopted citizens as workmen with the Chinese, to the disparagement of the former. The article concluded by cautioning resident workmen to be more careful lest they be "overwhelmed" with Chinese labor.

In this way Protectionists have inflicted both insult and injury on the very men whom they profess to serve. From which it may be said that their tortuous and contradictory course makes it impossible to know "whether the snake that made the track was going South or coming back." Or, in harmony with the gravity and dignity of the subject, suggests the inquiry of the Great Teacher, "whether is greater, the gift or the altar that sanctifies the gift"—"the gold or the temple that sanctifies the gold."

CONTRABAND TRADE.

Protectionists are mainly responsible for the manifold evils resulting from a violation of law known as smug-

gling. The practice creates a competition as baneful and disastrous to the honest tradesmen as the competition of free trade is healthful and beneficial. The extent of the evil can only be estimated by the limited number of disclosures that come to the surface. Secretary McCulloch estimated that the loss to the government for the year 1866 was ninety-two millions of dollars by evasions of the revenue laws.

A vivid description of the evil as it existed in England in 1824 may be gleaned from Martineau's history of that period. After giving a brief description of the dark and crooked ways of the smugglers, including smuggling into France, the author says: "In both countries there was an utter dissoluteness of morals connected with these transactions. Cheating and lying were essential to the whole system; drunkenness accompanied it; contempt for all law grew up under it; and it was crowned with murder. Little children who lived near a smuggling haunt learned early to be sly, and to say anything that was convenient. Their mothers stole down to the sands at night to bring up light goods, which they might hide in the rafters of the cottage, and spread temptingly before any foolish ladies within reach. Or if they did not themselves meddle, they reproached their husbands for working at the plane or the anvil, when certain neighbors could make a pocketful of money in a night. As for the men, they were tapping a cask of spirits when their work was done at dawn, and passing the daylight hours in a

drunken sleep in some hidden place, instead of being at honest labor in the field or in the shop. As for the loss and financial injury to the nation from this state of things, it was estimated at a later period, 1841, when smuggling had much declined, that the amount of duties evaded by the smuggling of French goods alone, and exclusive of the great article of tobacco, exceeded £800,000 sterling a year, while the value of English goods smuggled into France by the Belgian frontier alone exceeded £2,000,000 sterling.

“All this demoralizing trade was taken out of the very substance of the honest trade, which would have been carried on for the general good, if our commercial system had been a wise one. The preventive service and the coast blockade, it was estimated, cost per annum nearly £1,000,000 sterling. Fifty-two revenue cruisers, with fifteen hundred officers and seamen of the navy, were always hovering about the coast; and there was the coast guard besides, with the cottages and establishments. In 1822 and 1823 the number of captures were fifty-two vessels and three hundred and eighty-five boats engaged in smuggling. The cost at that time amounted to between four and five hundred thousand pounds per year.”

In the year 1843 a suggestive and significant fact occurred, entitled, “Remarkable case of Conscience.” A man who had given in an honest return of the profits of his regular business, in paying his income tax, had be-

come conscience stricken afterward, as having paid no tax on his income from smuggling! And he therefore sent to the Chancellor of the Exchequer £14,000, as due on three years profits. There was no appearance of his having any pain of conscience about smuggling, even to the enormous amount thus indicated, while so sensitive about paying what his mind approved.

Lorenzo Sabine, of Boston, in the Detroit Commercial Convention, raised the veil, and disclosed the extent to which the practice prevailed in our colonial days, for which the mother country was of course primarily responsible, but it may be said, not in justification, but in mitigation of her error, that in those days of comparative ignorance, there was no enlightened premier to ask, in the words of Sir Robert Peel, "Why should we put our duties so high that smugglers can underbid us?" Mr. Sabine said: "Just one quarter of the signers of the Declaration of Independence were bred to commerce or to the command of ships, and were concerned in the illicit trade of the times. John Hancock was the prince of contraband traders, and with John Adams as his counsel, was on trial in the Admiralty Court in Boston at the exact hour of the shedding of blood at Lexington, to answer for a half million dollars penalties, alleged to have been incurred as a smuggler. Church members and deacons were smugglers. Ministers preached in smuggled clothes, and were paid in money earned in the contraband trade." Mr. Sabine was himself bred to evade

the navigation laws of his country. For nine years, on our north-eastern frontier, he was an active participant in the contraband trade. Though a venerable man, with the "fires of ambition utterly extinguished," and hair bleached with the frosts of many winters, his theme re-kindled within him the fervor of youth and the earnestness of deep conviction, which found but a feeble utterance when he said, "Sir, in my very nature I abhor the name of restriction."

The following illustration, showing the facility with which smuggling is carried on between the provinces comprising the Dominion of Canada and the United States, was given by Mr. E. H. Derby, before a committee of Congress at Boston, in 1870.

The government report says: "Mr. Derby stated an incident which came within his own knowledge, of a merchant tailor at Halifax, who showed him his order book, containing orders for suits of clothes from a large number of Americans, some of them wealthy residents of Boston, and which were delivered in Boston free of duty, and at the same price as if they had been delivered in Halifax."

Mr. Derby added .

"The only way was to do what the English, French and Belgians had done, that is to go back to free trade in wools." A conclusion elsewhere reached in this essay.

Is it not passing strange that the United States, whose very foundation corner stone is freedom, should seek to

abridge that freedom in one of its essential elements? What does liberty mean, if the citizen may not make the most of the fruits of his labor? Without question the "irrepressible conflict" embraces freedom of trade. Many anti-slavery men saw this from the beginning; others, like William Lloyd Garrison, saw it at a later day, whereupon they discarded Protection, and espoused the cause of Free Trade.

A fitting testimony with which to close this chapter and to manifest the impotence and folly of protective tariffs and the demoralization and disrespect of law to which they lead, is that of an agent of the treasury department, as given in the *Chicago Tribune* :

"SMUGGLING.

HOW IT IS CARRIED ON ON THE MEXICAN BORDER.

Special Dispatch to the Tribune.

"WASHINGTON, D. C., August 30.—A Treasury official who was sent to examine the El Paso Customs District on the Rio Grande, has made a general report on the condition of affairs on the Mexican border, which will attract attention. This officer maintains that smuggling is the normal condition of the inhabitants along both sides of the border, whether Texans or Mexican; that it is impossible to enforce the existing tariff laws of either country; and that the only real solution of existing complications is in a reciprocity treaty with Mexico, if not absolute free trade. The agent has traveled from the Colorado river to the Rio Grande. * * * The country, he reports, is

"THE SMUGGLERS' PARADISE."

"Smuggling is the business of the people. There is no public sentiment opposed to it. Merchants openly sell goods knowing that they are to be delivered by pack-mules in Mexico. They arrange to receive goods, knowing that they have been smuggled into Texas. The customs authorities upon either side appear to have no conscience as to the international wrong of smuggling, and countenance it by their silence. The agent considers that this condition of affairs shows the necessary dependence of the two countries upon each other, that products must be mutually interchanged, and that existing tariffs can never be enforced."

"THE YEAR 1860 AND THE TWO DECADES."

The nearest approximation to Free Trade, since the tariff of 1816 in this country, was from August, 1846, to 1860, inclusive. It will be remembered that the last ten years of this period, and the preceding decade, from 1840 to 1850, are selected as the periods, on the whole, best calculated to test the results of the two systems.

It will be found that every industrial and commercial pursuit flourished during this last decade, both relatively and absolutely. This being so, what better evidence can there be to show that there is nothing to fear, but much to gain by the emancipation of the industrial and commercial interests of the country from the oppressive re-

strictions that have so long held them in chains? During that period agriculture, manufactures, commerce and navigation were alike prosperous. Space will not permit the enumeration of many details. In manufactures the leading industries of cotton, wool and iron may be mentioned. During the fourteen years of non-protection, the home consumption of cotton increased one hundred and thirty per cent., and our exports were increasing very rapidly in the closing years of the period, reaching in value in 1860 \$10,933,796. The woollen manufactures increased during the last seven years of the non-protection period sixty-two per cent, and the greater part of this increase occurred from 1857 to 1860, when foreign wools, costing less than eighteen cents per pound, were admitted free of duty. There was made in 1860 nine hundred and thirteen thousand tons of pig iron, an increase of one hundred thousand tons over any previous year, and what is better, it found a ready sale at remunerative prices.

Our exports of domestic manufactures in 1860 exceeded in amount the highest point ever before reached, aggregating \$48,090,644! over two hundred per cent. increase in ten years. The great industry underlying our national prosperity is that of agriculture; its production of wealth is double that of manufactures, fishing and mining, as shown by the census of 1860.

The decade from 1850 to 1860 yielded an increase of agricultural production over the previous decade of "fully one hundred per cent." Statistics show that the number

of persons engaged in manufactures, mining and fishing increased from 1850 to 1860 a trifle faster than the population, thereby proving that under a Free Trade tariff there is no drain of population from the latter industries to agriculture: "Our exports in 1860 reached the aggregate value of \$400,000,000, which was \$43,500,000 more than during any previous year. Our imports were \$362,000,000, decidedly more than any other year. The people of the United States consumed 332,000 tons of sugar in 1857, and in 1860 they consumed the enormous amount of 464,000 tons—more than in any other year of our previous history."

The consumption of sugar per capita ranged during the 1840 to 1850 decade from 13.03 pounds to 19.47 pounds. During the four years of protection the consumption was 13.34 pounds, whereas in the 1850 to 1860 decade the range was from 29.66 to 34.54 pounds—the latter being the rate of consumption for the years 1859 and 1860.

"The mean annual consumption of tea in the United States, which was sixteen million pounds in the decade ending with 1850, was twenty-seven million pounds in the decade ending with 1860."

The consumption of coffee, no less than that of sugar and tea, forms a test of national prosperity at any given time. The tables show that during the decade from 1840 to 1850 the consumption of coffee per capita was 5.66 pounds to 5.80 pounds, whereas during the decade

from 1850 to 1860 the consumption ranged from 6.45 to 7.55 pounds.

A glance forward shows the consumption from 1860 to 1868 to have been 4.20 to 5.33 pounds, and looking backward to the eight years of high protection, from 1824 to 1832, the table shows a consumption of only 2.40 to 3.45 pounds. Thus the evidence is complete that the people of the United States had more money to spend for these comforts from 1850 to 1860 than ever before in the history of the country. From 1831 to 1851 the cotton crop of the United States ranged from one million to two and one-third millions of bales per annum. In the year 1860 it had risen to the enormous crop of four millions six hundred and seventy-five thousand seven hundred and seventy bales, almost a million more bales than were ever grown in the United States in any previous year of our history. The census reports show that in 1850 our wheat crop was 100,000,000 bushels, and in 1860 it was 173,000,000 bushels. In the decade from 1840 to 1850 the increase in the barley crop was but 1,000,000 bushels; in the decade from 1850 to 1860 the increase over that of the previous decade was 10,000,000 bushels. In 1850 the value of the American farms was three and one-quarter billions of dollars; in 1860 it was by the census six billions six hundred and forty-five millions of dollars, an increase of one hundred and three per cent.

From the statistics of manufactures given in the census

of 1850, nine hundred and fifty-seven thousand hands were employed; in 1860 thirteen hundred and eleven thousand. In 1850 the products of manufactures amounted to \$553,000,000; in 1860 \$1,009,000,000, an increase of ninety per cent, while population increased but thirty-five per cent.

A most impressive fact is found in the unexampled increase in value of the real and personal property of the United States during the decade from 1850 to 1860. From 1830 to 1840 the increase was fifty-three per cent., and the valuation of 1840 was \$3,964,322,000. From 1840 to 1850 the increase was eighty per cent., and the valuation of 1850 was \$7,135,780,228.

But from 1850 to 1860 the increase was one hundred and twenty-six per cent, and the valuation of 1860 was \$16,159,616,068.

It is a significant fact, that in the census report of the Secretary of the Interior, ending with June 1st, 1860, in but one instance does he suggest that any additional protection would do good—that is in regard to wool, and this is evidently out of respect to certain “most intelligent and experienced wool growers,” who ask a share of protection fairly proportioned to the importance and requirements of the interest which they represent, and to that given to those who manufacture their raw material. At the same time he admits that “there has been no coincidence between high and low wool prices and what are termed high and low tariffs, but quite as often precisely the reverse.”

Without anticipating the evidence, which shows that protection depresses the price of wool, it is gratifying to note that of all the vast industrial avocations that aggregate the nation's material interests, but one item in the single but great interest of agriculture should have been recommended to the attention of Congress from the standpoint of protection. This in connection with the statement that the "capital of the nation never increased so fast," and that our "internal and foreign trade kept pace with our advance of production and increase of capital," should be accepted by the candid mind as demonstrating the success of Free Trade principles in the United States.

In the language of Webster, "intelligence and industry only ask fair play and an open field."

In complete accord with the industrial development of the 1850 to 1860 decade was the diffusion of knowledge and the increase of banking capital. The former is indicated by the fact that in 1850 there was published in the United States periodicals and papers of every class to the number 2,526. In 1860 the aggregate under this head reached 4,051, showing a rate of increase of 60.37 per cent.

The total circulation of all kinds amounted in 1850 to 426,409,978 copies; in 1860 the annual circulation is stated at 927,951,548 copies, showing a ratio of increase of 117.61.

THE DEVELOPMENT OF BANKING FACILITIES.

The census report says: "Among the evidences of prosperity and general accumulation of wealth in the United States, the multiplication of banks with increased aggregate capital is one of the most significant. The bank movement in the United States during that period

underwent great expansion, without becoming less sound. In 1850 there were 872 banks, with a capital of \$227,469,074; loans, \$412,667,653; specie, \$48,677,138; circulation, \$155,012,911. In 1860 the number of banks had increased to 1,562; capital to \$421,880,095; loans to \$691,945,580; specie to \$83,594,537; circulation to \$207,102,477. The decade opened with a very lucrative banking business. Industry of all descriptions was very active and productive, and there never was a time when capital accumulated so fast. A remarkable evidence of which was afforded in the vast amount expended in the construction of railroads, while of the large capital accumulated a considerable portion was employed in banking. The incorporated bank capital increased nearly \$200,000,000, and the private bank capital nearly half as much.

The report of the Treasury Department gave the latter amount at \$118,036,080.

AGRICULTURE MORE PROFITABLE UNDER FREE TRADE TRADE THAN UNDER PROTECTION

The tables show that not only was production far greater under a free system, but they also show that the farmers received better prices for their products during the decade from 1850 to 1860 than they did during the decade from 1840 to 1850. One reason for the enhanced prices referred to was the rapid construction of railroads which followed the four years of high protection, from 1842 to 1846, during which time but 904 miles were constructed, whereas, during the revenue tariff period which followed, more than that amount was built on an average annually. During the decade from 1850 to 1860 21,613 were built.

In the single year of 1860 1,846 miles were constructed. There was also a corresponding development of our foreign tonnage during this decade.

Our merchant marine has always expanded and contracted as the tariffs have gone up or down in an inverse ratio, reaching its minimum of contraction per capita under the high protective tariff of 1828; thereby showing that the fears of the navigators of Portland were well founded when they had the flags of the shipping lowered to half mast on the passage of the bill.

During the decade from 1840 to 1850 the tonnage per capita ranged from .048 to .069, whereas in the decade from 1850 to 1860 it ranged from .072 to .094.

The minimum of contraction, .045, was reached in 1830. In the year 1860—the culminating point of fourteen years of revenue tariff—"the tonnage of our ships upon the seas was 5,353,858 tons, which was more by 140,000 tons than in any other year of our history, before or since. Two-thirds of our imports were then carried in American bottoms, as were also more than two-thirds of our exports."

The cheapening of transportation not only added to the value of the agricultural surplus shipped abroad, but to the value of that sold at home, for home consumers are obliged to pay what produce will bring for exportation. These enhanced prices were not limited to a few articles, but on the contrary, extended to nearly every important agricultural product. A list of prices from W. M. Grosvenor's valuable work entitled, "Does Protection Protect?" is appended.

LOWEST NEW YORK WHOLESALE PRICES CURRENT.
AUGUST 1ST.

		1845.	1860.
Flour	per bbl.	\$4 31	\$5 05
Rye	"	2 87	3 50
Corn Meal	"	2 31	3 40
Wheat	per bush.	90	1 40
Rye	"	68	81
Oats	"	42	40
Corn	"	51	64
Lard	per lb.	7	12
Butter	"	15 to 16	10 to 19
Cheese	"	5	7
Rice	per cwt.	3 50	4 50
Clover Seed	per bush.	6 00	8 00
Sugar, New Orleans,	per lb.	5	6
Tallow	"	7	10
Tobacco, Kentucky	" it ranged	2 to 7	3 to 12
Wool, Common	"	24 to 36	34 to 38
Wool, Merino	"	32 to 34	48 to 52
Wool, pulled No. 1.	"	28 to 30	28 to 30

Wool, the last article on the list, is one out of which Protectionists have endeavored to make capital, and yet it is clear that Protective tariffs have depressed its price and injured the wool growers. It was most depressed during the high Protective period; in the midst of the decade from 1840 to 1850, common and Merino wool brought twelve cents a pound less during that high Protective period than it did in 1860. The reason is, in brief, this; the exclusion of foreign wools under these high tariffs paralyzed the woolen industry. The cloth manufacturers do not hesitate to say that they can pay more money for American wools when they can obtain the needed grades of foreign wools to mix with them.

Senator Anthony, of Rhode Island, who by the way, is a Protectionist, speaking of Mestiza wool, says: "Much of it can be bought by the manufacturers of Germany, England and France, for the same price per

pound that would be paid by us in duties; this enables them to send into the United States their fine goods which only pay a duty to our government of 60 per cent., whereas the duty paid to this government on much of this same kind of wool, amounts to from 100 to 120 per cent., leaving our manufacturers from 40 to 50 per cent. worse off than they would be under a Free Trade system."

To place this matter in a stronger light, I quote from Edward Harris, of Woonsocket, R. I., whom Mr. Greeley called "The veteran, eminent and successful manufacturer." He said in 1869: "This (the duty) has put down the price of the wool in Europe so low; that it enables their manufacturers to produce their fine goods so low, that they can and will eventually drive us out of the market. It is worse to the American manufacturer than Free Trade by 50 to 60 per cent., while the poor wool grower is killing off his fine wool sheep. * * * I venture to suggest that we have a tariff simply for revenue, that the reciprocity treaty be renewed, and that all duties on raw materials be repealed."

If there is still doubt that these attempts at prohibition injure the wool growers, the testimony of Mr. Greeley himself ought certainly to dispel it. In his table, page 264 of his "Political Economy," he compares prices of wool in 1860 with prices in 1866 and 1869. The analysis of the table shows a decline of prices in 1866 of from three to eight cents per pound, and from 1860 to 1869, of from four to eleven cents per pound.

The tariff of 1867 is understood to have been the highest tariff ever enacted in the United States. No doubt many wool growers thought it would bring better prices for

their wool, and yet the opposite effect followed, precisely as under the high tariff of 1842, when it fell lower than at any period in our history, common wool averaging during those four years but twenty-three and a half cents per pound.

The great staple of cotton, though not in the table, formed no exception to the rule. In 1843, the price of cotton fell in Liverpool below five pence, and so remained until the tariff of 1842 expired. Subsequently it rallied, and realized about two cents a pound more during the fourteen years of non-protection which followed, which, by the way, were also years of Free Trade in England. The price in the United States dropped to six cents, and during those four years averaged only seven cents. * * * "Whether the tariff of 1842 caused the low price or not, the table shows that in every period of Protection until the war, the price has been low." Under the Free Trade tariff that followed, the cotton grower received better prices; two enormous crops pushed down the price in 1849, but in no other year thenceforward was the price as low as the average for the whole tariff of 1842. "Taking this tariff period as a whole, the gain from 1846 to 1860 to the grower, was from seven-eighths a pound to ten-eighths a pound, or over fifty million dollars on the crop of 1860.

RECIPROCAL TRADE.

The quotation made from Mr. Edw. Harris, contains an excellent Free Trade platform. He says: "I venture to suggest that we have a tariff simply for revenue, that the Reciprocity Treaty be renewed, and that all duties upon raw materials be repealed."

It was not intended to discuss the question of the renewal of the Reciprocity Treaty; but it having come to the surface in the presentation of the main question, a few remarks will be in order, beyond which the reader is referred to David A. Wells' essay "Why we Trade," published in Putnam's Series of "Economic Monographs." Its advantages to both countries are there fully discussed. The benefits of the measure are twofold; first, those which flow from the greatly increased trade to which it gives rise: in the second place, the evil which it averts in diminishing or stopping entirely the contraband trade, according as the treaty may be more or less comprehensive and perfect.

A boundary line of some two thousand miles in extent affords extraordinary opportunities for the operations of the smuggler. The question opens a rich field for the exercise of wise, broad and comprehensive statesmanship.

In the Detroit Commercial Convention, in 1865, the Protectionists carried their point in favor of abrogating, instead of revising the then-existing treaty; but it was done on a compromise basis, the Protectionists uniting in the passage of a resolution requesting the government of the United States to initiate measures for negotiating a new treaty, which resolution passed the Convention unanimously, amid much enthusiasm. But the sequel has shown that the new treaty, when formed, was defeated in the Senate by the Protectionists, although they had united in the request for its negotiation. The truth is, that the Free Traders and friends of Reciprocity in the Convention were out-generaled by their adroit and not over-scrupulous opponents. An illustration of the

extraordinary measures resorted to by the Protectionists to defeat the renewal of Reciprocity, occurred in the plea made by the United States Consul-General of Canada, before the Detroit Board of Trade, prior to the meeting of the Convention; it was that by withholding Reciprocity, Canada could be coerced into annexation—a stupid and unworthy thought concerning a measure which many of our best and most intelligent citizens do not favor, believing it better for the United States that there should be on our Northern border a friendly and prosperous republic. It may be that the delay which has occurred in the renewal of reciprocal trade, is to lead to the formation of a more complete and comprehensive treaty—to a zollverein—that is to say a customs union.

Bearing on this subject, the following correspondence is reproduced—in the belief that the question in this form is entitled to further consideration from the respective countries interested.

BOSTON, *October 12th*, 1877.

TO the RIGHT HON. WILLIAM EWART GLADSTONE, Hawarden, England.

SIR :—The question of reciprocal Free Trade between the United States and Canada excites some interest here. In connection with the discussion the question has been raised as to whether, in the event of negotiations being entered into with the object of a Reciprocity Treaty, England would insist that Canada should admit English manufactures on the same terms as she might agree to extend to American goods of the same class. In other words, would the Canadians be permitted under treaty to give advantages to Americans which were withheld from their British fellow subjects? The question, though apparently a side issue of not much importance from an American standpoint, has really a great deal to do with deciding the practicability of a comprehensive treaty. Pardon, therefore, the liberty I take in asking what is the traditional policy of England in relation to the matter, and whether the present government have made any decisive statement as to their course in such event? for, if I mistake not, the question did come up for consideration a few years ago, when a treaty was

under discussion. The fact that the business men, and others interested, wished to obtain some definite information on a point little understood in this country before the matter comes up during the approaching session of Congress, must be my apology for troubling you.

Very respectfully,

PHILLIPS THOMPSON.

ENNISKERRY, *October 30th.*

PHILLIPS THOMPSON, Esq., Boston.

SIR :—The question you put is one of much difficulty, and I am unable to give you an answer which should or ought to guide you or others. No other country except this would, however, I think, regard it as an open one, and in this country, I think, the decision would depend mainly on the views and leanings of the Colonial Minister and government of the day.

Yours very faithfully, &c.,

W. E. GLADSTONE.

PROTECTION A SWORD WITH MANY EDGES.

The same disastrous interference with industrial interests has always occurred under the operation of protective tariffs. Under that of 1828, in the city of Philadelphia, more than three hundred persons engaged in the mechanic arts, whose raw material was bar iron, petitioned Congress for relief from the embarrassment and loss brought upon them by that oppressive measure. Under the tariff of 1861 some of Detroit's large and important industries suffered greatly.

Take an example, in the Detroit Bridge and Iron Works. Said Mr. Willard S. Pope: "Was it not for the excessive cost of pig iron caused by the tariff, we should now be employing ten men where we employ one. Let this illustrate how many edges there are to the sword of Protection, and how it slashes into honest industry at every turn."

Francis Wayland, for a long time the esteemed president of Brown University, and the author of two well

known text books, in his "Political Economy" enquires, "by what right society thus interferes with the right of an individual? When did the individual surrender this right? It is in vain here to urge that society has the right to destroy individual property in case of extreme necessity, because in order to render this plea available, it must be shown that this is a case of extreme necessity, and it is always bound to make good the loss to the individual. I think that if the protected interests were obliged to make good the loss which the system inflicts on all other interests, the demand for it would be less urgent than at present, and protection would be considerably less injurious."

Besides the loss that the system entails on society as a whole, and on the non-protected interests in particular, it creates a peculiar peril, which sometimes results in severe commercial disaster to the protected interests. It is familiarly called over-production, and at the present time its victims can be counted by tens and hundreds of thousands; and of the industries prostrated, the pig iron manufacture forms a striking example, concerning which the Secretary of State, William M. Evarts, reports, "that out of seven hundred and fourteen blast furnaces, four hundred and seventy-eight are out of blast, representing \$100,000,000 of idle capital."

Severe as this matter is, in regard to the waste of capital, it is much more so when considered in regard to the number of men thrown out of employment, and the many families that have been thereby involved in privations, and brought to the verge of starvation itself. So far as leading Protectionists are concerned, it may be considered a just retribution, but in respect to operatives

it can only be viewed as an unmitigated calamity. Had the "Iron Masters" been content with doing well under the revenue tariff of 1860, which afforded an incidental protection to pig iron of twenty-four per cent., how much of loss and suffering would have been averted! Smiling and prosperous cities, towns and villages, of which Wyandotte in this state forms a bright example, might then have continued prosperous indefinitely, instead of presenting the very embodiment of depression, now patent to every beholder.

The Hon. James Buchanan had voted for the high tariffs of 1824, 1828 and 1842, but in 1846 he had a vivid conception of the evil under consideration, and to a meeting called at Pittsburgh, to rejoice over Polk's triumph, transmitted this sentiment, "Domestic manufactures. They have been saved by the election of James K. Polk from being overwhelmed by the immense capital which would have rushed into them for investment, and from an expansion of the currency, which would have nullified any protection short of prohibition."

To the same purpose I quote the golden words of the Hon. James Lloyd, a United States Senator from Massachusetts, in 1820. A bill had passed the house to increase the tariff in the interest of Protection, and was pending in the Senate, when he spoke as follows: "I am interested in manufactures. I own stock in one of the cotton mills now running in my state. That mill regularly pays good dividends, and is likely to do so indefinitely, if the tariff is let alone. But should you pass the bill, hundreds of such factories will be erected, till the market is glutted with their fabrics, when prices must fall, and our concern very possibly may be broken down. I choose to let well alone, and intreat you not to pass the bill."

"Whom the gods destroy, they first make mad," from which it is not meant to intimate that Protectionists are insane, only that a diagnosis of their case would reveal a decided tendency to monomania. Hence it is that in the midst of severe business losses, verging on financial ruin, caused by their own measures, they still cherish their peculiar hallucination.

It has been claimed that Protection would in some way benefit the farmers, but it has been seen that facts are all against the assumption. The truth is that there are but two ways in which they can be benefited by government. The first is to cheapen transportation by reducing the cost of articles which enter into the construction of ships and railroads, and which the farmers require to buy, by the repeal of excessive duties imposed in the delusive name of Protection.

Give them their agricultural implements, their lumber, their salt as a fertilizer, and for their stock and daily use, under the beneficent operation of the broadest competition, and you aid that deserving interest to an extent that it is difficult to estimate. In the second place let government cheapen transportation by improving the great water ways of the country, and in relieving commerce from all those legislative burdens that have operated to bring it down from the proud position that it occupied in 1860 under a free system. On this important subject I quote from the able speech of the Hon. James F. Joy, delivered before the Detroit Commercial Convention of 1865. He said: "Having said all I desire to say on the value of this, or some fair and just treaty, as it affects the commercial interests of the country, I desire to speak of it now as it affects western interests. * * *

It is this consideration which makes the provisions of the Reciprocity Treaty of immense importance to the whole Northwest, and brings them home to the ten millions of people already inhabiting this great and fertile region, and soon to be double that number. The interests of that great population it is not in the power of the government to protect by tariffs; they must compete freely with the world, with the Pole, the Russian, the Egyptian, as well as the Englishman, in the markets of England and France. Who can estimate then the importance to the west of an open trade and unobstructed highway to the ocean, ample for ships of the proper dimensions, to render cheap transportation profitable! Those who can appreciate this may know the importance of the Reciprocity Treaty to the lake country which shall secure this object. The statesman who does it will merit the gratitude of a countless population in all coming time, who will be relieved and enriched by his statesmanship."

When will the people of Michigan learn that the public men to whom I have referred have been bitterly opposed to their interests!

LABOR AND WAGES.

There is no one test more sure to indicate the measure of prosperity that attends a nation at any given time than the condition of the working classes. If they have plenty of work at remunerative wages, it is the best evidence to prove that times are prosperous. The unprecedented production of the decade from 1850 to 1860, in agriculture and manufactures, in ship-building and in the construction of railways, go to prove that work was

abundant. What remains to be shown is that wages rule higher under non protective tariffs than under those of protection.

The Secretary of the Treasury, towards the close of 1845, sent out numerous letters throughout the country requesting information concerning certain industrial interests during the preceding three years of protection, also during the preceding ten years, which included seven years of comparative non-protection.

In the cotton manufacture over twenty establishments in New England made returns. The wages averaged per man one dollar and seventeen cents per day! Women fifty cents, and for boys and children thirty-two cents. But the vital question is, whether these wages, however small, were an increase on those paid under non-protection in earlier years. On this point there can be no doubt. Not a single one of these establishments claimed to have increased the wages paid. Some claimed they were paying the same as for twenty years before, while others admitted they reduced wages in 1842. The Hamilton mill at Lowell said: "The number of persons employed is as follows, men 245; wages \$1.03 per day. Women, 69: average pay fifty-three cents per day. Boys, 34; average wages forty-four cents per day. In 1842 this company made a small reduction of wages."

In New York fourteen cotton mills reported. Four of these state that wages have not materially varied; but these, all paying the highest wages, reported frankly, ascribing their prosperity in part to "diminished wages paid," a "small percentage of reduction, or a decline of labor." In soap establishments wages had declined; on an average only sixty-nine cents a day was paid. In one

salt establishment the wages were on an average only \$8.00 per month. Finally the wages paid in the twelve woollen mills that reported in the eastern and middle states averaged eighty-nine cents for men, and thirty cents for boys. Not one of these establishments claimed that there was any increase of wages. One paying seventy-five cents a day to men, stated that wages had declined.

"It is," says W. M. Grosvenor, "conclusively proved that American labor in the aggregate received less wages under the tariff of high duties in 1845 than it did under the revenue tariff of 1840. It further appears, that under the lowest phase of revenue tariff, Hon. E. B. Bigelow, the great carpet manufacturer, paid his men in 1859 \$9.12 per week on an average, whereas in 1849, under a revenue tariff not so low as that in force in 1859 and 1860, he only paid his men \$8.40, all going to show that the nearer we approach a strictly revenue or Free Trade tariff, the higher wages men receive, and when it is considered that revenue tariffs reduce the cost of many of the necessities and comforts of life, the double gain thereby conferred on labor can readily be seen. To be placed side by side with the extract from the Senatorial speech of John Rowan, made in 1828, an extract follows from the speech of Senator Beck, made in the same Senate chamber, after the lapse of half a century, in the year 1878. Both gentlemen spoke as organs of the state of Kentucky; both spoke to the same purpose, and both felt the same sense of indignation at the injustice perpetrated under the deceptive name of Protection: "We have had Protection—God knows we have had nothing else—for the last twelve years. I would like to know

where all the immense profits made by the manufacturers by virtue of the protection they have unjustly maintained in the last twelve years have gone. It is obvious that their employees have not been the beneficiaries. They are, it is claimed, in a starving condition. Thousands are reduced to beggary, and have become tramps, instead of industrious operatives. Protection has not protected them. * * * But the palatial residences, the magnificent equipages, the princely style of living of the protected owners of that machinery, attest where the profits of their sweat and toil, and the money of the tax payers all over the land, have gone. And the clamor they are making in these halls, the lobbies they have organized, the newspapers they have subsidized, the arrogance with which they demand the maintenance of these bounties in perpetuity, attest equally their insolence and their confidence in their power.

They have the audacity to require their operatives, the victims of their greed, to petition the representatives of the people for a continuation of the system which has produced these results, and they set themselves up as the special guardians of the laboring poor. Representatives in these halls are threatened with defeat if they dare oppose, and are lured by promises of promotion if they obey their orders. The poor are becoming poorer, and the rich richer; extreme poverty and immense fortunes are brought in sharp contrast, and the masses are used by their masters to influence legislation, to still further enrich the already over-protected few."

THE NARROWNESS OF PROTECTIONISTS.

Justin S. Morrill, the chief architect in framing the exhorbitant tariffs of the war period, went so far as to con-

demn the policy that permits our citizens to ship their produce over Canadian railways. What must the people of Michigan think of such statesmanship, when they remember the universal joy with which they greeted the advent of the Great Western Railway into Windsor, virtually into the City of Detroit! We look back with pleasure to the celebration of that event in the huge freight-house of the Michigan Central Railroad—shared in as it was by our Dominion friends, and by the cities of Chicago, Milwaukee, and others of the great Northwest. Shall that era of international peace and goodwill ere long return to bless our nation, state and city? I am glad to say the signs of the times point strongly in that direction.

An appeal is made to all whose recollections cover the end of the period of Free Trade, to say, whether the fourteen years of non-protective tariff rule did not bring us to a degree of prosperity long to be remembered and greatly to be appreciated. That this was so, Senator Morrill himself has borne testimony when he said, "The year 1860 was not only a year of as large production, but perhaps of as much general prosperity as any year in our history." And still stronger is the testimony of General James A. Garfield, who said in his late resumption speech, "I suppose it will be admitted on all hands, that 1860 was a year of unusual business prosperity in the United States. It was at a time when the bounties of Providence were scattered with a liberal hand over the face of our Republic; it was at a time when all classes of our community were well and profitably employed; it was a time of peace, the apprehensions of our great civil war had not yet seized the minds of our people; great

crops, North and South—great general prosperity—marked the era.”

YET MORE CONCLUSIVE.—President Lincoln’s Secretary of the Interior, the Hon. Caleb B. Smith, besides contributing the most valuable of the statistics herein quoted, bears the strongest possible testimony to all that is claimed, which is that the decade ending in 1860 under a revenue tariff, shows that an unprecedented prosperity marked the manufacturing, agricultural and commercial interests of the United States. That labor received its full reward and that little or nothing remained to be desired, to fill up the measure of the Nation’s material good. It was reserved for a Free Trade era, and for a Free Trade policy, to accomplish “the diversification, perfection and extension of manufactures, in nearly every branch throughout the United States, and to harmonize this grand result with the harmonious development of all the great interests of the people.” Compared with which no corresponding triumph was ever achieved in the history of the Republic. The report says: “Without any special stimulus to growth—depressed indeed, during the years 1857 and 1858, in common with other public interests, by the general financial embarrassments of those years—and with a powerful competition in the amazing growth of manufactures in Great Britain and nearly every other nation of Europe, the manufactories of the United States had nevertheless been augmented, diversified and perfected in nearly every branch, and almost uniformly throughout the Union. Domestic materials whether animal, vegetable or mineral, found ready sales at remunerative prices, and were increased in amount with

the demand, while commerce and internal trade were invigorated by the distribution of both raw and manufactured products. Invention was stimulated and rewarded. Labor and capital found ample and profitable employment, and new and unexpected fields were opened for each. Agriculture furnished food and materials at moderate cost, and the skill of our artisans cheapened and multiplied all artificial instruments of comfort and happiness for the people. Even the more purely agricultural states of the South were rapidly creating manufactories for the improvement of their great staples, and their abundant natural resources. The Nation seemed speedily approaching a period of complete independence in respect to the products of skilled labor, and National security and happiness seemed about to be insured by the harmonious development of all the great interests of the people. "

CONCLUSION.

A question not involved in the issue between Free Trade and Protection, but germane to it, presses on the public mind for solution. It is whether direct taxation as provided for in the Constitution, or one of its modified forms, would not be more economical and just than even a revenue tariff. My own conviction is that it would. To say that any system of taxation that relieves the wealthy, and imposes unequal burdens on the poorer, but not less worthy, members of society is objectionable, is but to utter a truism. That a tariff for revenue in some measure does this, must be admitted. It sometimes happens that a millionaire consumes less of the

commodities that pay import duties, than the toiling artisan who is not to the same extent interested in the protecting power and stability of the government, and certainly ought not to be coerced into the payment of equal or greater taxes.

It has, however, been shown that a revenue tariff has proved a great boon to the people of the United States, and for its renewal every well-wisher of his country should earnestly strive, trusting, it may be, to the operation of time to effect the still more perfect results of direct taxation.

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HONEST MONEY AND LABOR.

BY THE HON. CARL SCHURZ.

In responding to the invitation of citizens of Massachusetts, to address them on questions touching our national finances, I cannot repress a feeling that, in some respects, such a thing ought to be superfluous. An effort to prove by argument that the maintenance of our national credit, by a conscientious discharge of our national obligations, is demanded by every consideration of honor as well as interest, and that a money of intrinsic and stable value is preferable to an irredeemable paper money whose value is the football of political agitation, and changes from day to day,—such an effort should be as little necessary as it would be to explain to a virtuous man the merits of the ten commandments, or to demonstrate to an intelligent man the veracity of the multiplication table. The confusion of ideas with regard to these subjects which prevails here and there, and which at present renders such argument necessary, is undoubtedly owing to the fact that for some years the times have been hard, and that, under the sharp pressure of embarrassment or distress, the minds of many well-disposed men are eagerly seeking for means of instant relief, and are thus misled by glittering schemes, which excite their imagination, but

which, in a healthy state of society, they would at once reject as unreasonable and dangerous ; just as persons afflicted with a painful disease are sometimes apt to grow impatient at a rational and systematic cure, and then resort to any kind of quackery which pretends to perform miracles. With errors of that class we have to deal.

To say anything really new on the financial subject at this late stage of the debate is well-nigh impossible. The truth as such is old and always the same, and all we can do is to clear away the fog with which it has been obscured. Some time ago, at Cincinnati, I discussed the general subject of the financial question as it at present stands before the people. To-night I shall address myself more particularly to the bearing it has upon the interests of the working-men, and in doing so, it will be more my endeavor to be truthful and clear than to be brilliant and entertaining. I shall not attempt an elaborate disquisition on the relations of capital and labor further than to show that, with regard to what in a general term may be called the "money question," their interests are the same ; that a money system which inspires confidence to capital, and thus encourages it to embark in legitimate business enterprise, will at the same time give fruitful employment to labor ; and that, on the other hand, a money system which impairs the security of the capital will, at the same time, injure the value of the earnings of labor, and *vice versa* ; with this qualification, however, that from the effects of an unsound currency the laborer is liable to suffer even more than the capitalist, inasmuch as the capitalist, the man of means generally, is always more or less able to protect his interests by the correct calcula-

tion of chances, while the laboring man is the victim of circumstances and necessities which he has not the power to control.

The present situation is easily defined. There is no longer any question as to whether we shall undertake the necessary preparations for the resumption of specie payments, and whether those preparations may or may not be temporarily painful and injurious to individual interests. Those preparations in the main are completed; the painful things that may have been connected with them, lie behind us. It is the future we have to face, not the past. I will not discuss here what legislation may still be desirable; suffice it that the main thing is done. The government is able to resume specie payments on the 1st of January next, as the law provides. This is our situation.

The question now to be decided is this: Having, after a long period of stagnation and distress, at last reached a point where we can reestablish a money system based upon the precious metals, will it be best for our general interest to run away from it again, and to return to the old uncertainty; and how will our decision in this respect, one way or the other, affect particularly the well-being of the workingmen of the United States? As to the latter point, there are two things which every sensible workingman will naturally keep in view: First, he must desire that a line of policy be adopted best calculated, under existing circumstances, to give him steady and remunerative employment. Secondly, he will prefer that money system under which his wages are paid to him in a kind of currency upon whose value he can depend, a currency which will not cheat him.

CONSEQUENCES OF RESUMPTION.

As to the first point,—the prospect of employment,—the probable, I might say the certain, consequences of the resumption of specie payments are easily stated. In fact, they are already casting their shadows before. When our paper money is redeemable in coin, the fluctuations which, since 1863, have made its value so uncertain from day to day, will cease. The value of property is no longer to be brought to the gold basis, for it has been there for some time. The value of the money we handle is to be stable and reliable. The merchant, the manufacturer, the contractor, are to be able to depend again upon the value of the money they invest in the goods they sell, and upon that assurance they can base safe business calculations. The capitalist will be relieved of the fear that when he ventures out with his funds, by loans or other investments, his money may depreciate while it is out, and then he will venture out more freely. The laboring man is to be certain again that the dollars he receives as wages will be as good months and years hence as they are to-day, and that his savings will not, in the course of time, dwindle down in value. And with this prospect of a certainty in view, which we have so long been deprived of, confidence is visibly reviving again, and all over the land the pulsations of business life have become quicker, more energetic and more hopeful. With this prospect of a certainty, the business of the country begins to feel once more firm ground under its feet. Every candid observer admits this to be so.

PLANS OF THE GREENBACKERS.

It is under such circumstances that the paper-money agitators approach us with their plans. What are those plans? The resumption of specie payments is to be prevented at any cost. The greenback dollar is not to be redeemable in coin. The issues of government paper money are to be increased by a variety of contrivances. The national bank currency is to be withdrawn and a paper money to be put in its stead, for which the government is directly responsible. With this measure resumption will be impossible for an indefinite time. Further issues of government paper money are to be made, so as to "make money plenty," as they call it. Some propose that this new paper money be without a government promise to redeem it in coin, so-called "fiat money," resting upon nothing but the power of the government to force it into circulation. Others merely propose to increase the quantity of greenbacks, with a promise of the government to redeem, and that promise to remain unfulfilled and dishonored to an indefinite time in the future, which is practically the same thing as no promise at all. When you ask them how paper money is to maintain any stability of value, some will tell you that the laws will regulate that point, which is simply absurd. But others are more candid, and admit plainly that they care nothing about that stability of value ; that, in fact, they want that paper money to depreciate. This is part of their plan, and I call your especial attention to it. Mark what I say. It is just *because* they desire the currency to depreciate that they want to prevent the resumption of specie payments, and to perpetuate irredeemable

paper money. Why do I feel warranted in making this statement so positively? Because all their promises and predictions run to this one point,—that they mean to have an “abundance of money” and high prices, which means *nothing* more nor less than an inflation of prices through the depreciation of an inflated paper money. This is at the bottom of all their schemes, however plausible. If they did not mean this, they would, I have no doubt, just as readily accept specie payments, whatever they may say. When a man tells you that he wants a glass of whiskey to make him jolly, you may depend upon it that he drinks whiskey simply *because* it intoxicates. If he wanted nothing but to quench his thirst, he would just as readily take up with water.

By the expansion of the currency, then, they mean to bring about its depreciation; this depreciation of the currency is to result in high prices; high prices are to stimulate a revival of business, and thus we are to have a return of general prosperity. This is a fair statement of their scheme in its most attractive form. Now, is such a policy more likely to give to the working-man steady and remunerative employment than the resumption of specie payments, the prospective consequences of which I have already sketched? Let us see.

RESULTS OF INFLATION.

That an expansion of our irredeemable paper currency will stimulate business and revive prosperity is, I have no doubt, sincerely believed by many well-meaning people. They reason thus: “When the first greenbacks were issued during the war,

and those issues were rapidly increased, the prices of commodities generally rose. What was worth \$1 on the first of January was worth \$1.10 on the first of March ; \$1.20 on the first of July ; \$1.30 on the first of October, and so on. Thus people made money rapidly on the goods they had ; business went on at a tremendous rate ; the facility with which money was made inspired general confidence ; enterprise was wonderfully stimulated, and general prosperity was the result. What we had then we may have again, and the same means." That is their calculation now.

I might, without difficulty, show that, while the prices of commodities did indeed rise under the influence of expanded issues of paper money, and business enterprise was thus stimulated, our prosperity was more imaginary than real ; that gambling speculation overshadowed legitimate business ; that vast amounts of capital were wasted in adventurous undertakings ; that ruinous extravagance followed ; that we ran recklessly in debt ; and that, when finally the day of reckoning came, our fictitious prosperity broke down in widespread bankruptcy, stagnation and distress. All this is as true as any fact of history, and wise men will consider the agency which the inflation of our paper currency had in bringing about such disastrous results. But I will not go into that line of argument now, and moreover, some of the more reckless of our paper money advocates may say : " Well, even if such a day of reckoning must come, let us at least have a good time for a few years, and then let the devil take the hindmost."

What I want to point out to you is—and I invite you to consider what I say with candor and calmness—that it is at least

extremely doubtful whether, situated as we now are, an expansion of our irredeemable paper currency would have the effect of stimulating business, and produce even a fictitious prosperity for a short period. In fact, I am convinced that such would not be the result. You must not forget that the circumstances under which new emissions of paper currency would *now* be issued are essentially different from those under which the greenback first made its appearance. Our paper currency was then the creature of a great public necessity, It was an expedient resorted to by struggling patriotism, and while, during the dark hours of the war, some doubt may have arisen as to the prospective ability of the government to redeem all its pledges, there was not a moment's doubt as to the honest intention of the government and of the people to do so. Nobody suspected—indeed, nobody saw the least reason to suspect, that the government would go with its paper issues beyond the demands of actual necessity, and attempt the carrying out of new fangled financial theories and schemes. As to the good faith of the government in this respect, there prevailed the completest confidence at home as well as abroad. Moreover, an irredeemable government paper currency was then a comparatively new thing in this country. The experience of the war of independence, with its Continental money, was no longer present to the minds of the people. But few of them saw any similiarity between the Continental money and the greenback, and apprehended that the two things might meet the same fate. When the expansion of the greenback currency produced an inflation of prices, the average business man, seeing his goods rise in nominal value, did not stop to inquire, elated as he was at his apparent gains,

whether those gains were real as well as nominal. He had no experience of the consequences, and so he went on from venture to venture with blind confidence, as if there could be no end to it. The capitalist, also, with no experience of the final effects of such government currency expansion to warn him, risked his means in enterprise after enterprise without distrust. There was an unreasoning confidence that finally it would all come out right. And thus business was stimulated into extraordinary speculative activity.

THEN AND NOW.

But the circumstances which surround us to-day are very different. If new emissions of government paper could be constitutionally made now in time of peace, which I do not believe, those emissions would not appear as the creature of a commanding public necessity. It would be remembered that now we can have a money system based upon the precious metals if we desire, for it is within our reach. The expansion and perpetuation of irredeemable paper money would eventually be equivalent to the rejection of that money system based upon the precious metals. What specie payments mean, what a gold dollar and notes convertible into gold dollars are, every sensible man understands. The gold dollar is real, tangible, and forms a reliable basis for calculation. But the abandonment of specie payments, the rejection of the gold dollar, mean that the conduct of our financial affairs is to be delivered into the hands of a class of financiers whose theories and schemes move in the realm of imagination, and point, not to stability, but

to the uncertainty of change as their real object and inevitable consequence. There all safety of business calculation is at an end. What, then, will be the result of the adoption of such a policy? Will it now inspire the capitalist with the confidence necessary to induce him to venture his means in business enterprises? Will it enable the business man to plan his operations with any degree of reasonable assurance? It will certainly not. The experience they have gathered during the disastrous crisis through which we have just passed will inevitably rise up before their minds. They will remember that the artificial stimulus given to business by the expansion of an irredeemable paper money produced, indeed, fictions of wealth and prosperity, but ended in disaster, embarrassment and ruin. They will not give themselves up again to those illusions of success, which, when the first greenback expansion took place, they embraced with inexperienced confidence. A burnt child shuns the fire. But more than that. The wanton rejection of a sound-money system, based upon the precious metals, and the adoption of wild schemes of irredeemable paper money as a permanent system, without any imperative public necessity, is so enormous a thing, so utterly unprecedented in the history of nations, so unintelligible and startling to the common sense of mankind, that it will be apt to shake the confidence of the world even in the integrity of our government and in the intelligence and good faith of our people. The spectre of repudiation will appear behind so reckless a financial policy, and the credit of the government and the people may be shaken to its very foundations.

AFTER REPUDIATION, WHAT?

What then? Anything that impairs the credit of the government, anything calculated to create the impression that the American people cannot be depended upon faithfully to discharge their pledges and obligations, will, at the same time, affect the credit of our States, our municipalities, our business corporations, aye, of individual citizens. It will, then, not be surprising, indeed, to have the bonds of our states and municipalities, of railroad and other companies, flung in enormous quantities on the market; and although, owing to favorable conjunctures of trade, we have been able to absorb large amounts of our national bonds returning from abroad, without trouble, yet a shock to the credit of the American people may bring upon us masses of our indebtedness in a variety of forms, so unmanageable as to produce another panic still more destructive, and a paralysis more deadly than any we have suffered. No prudent man will question this possibility, for credit is a sensitive thing, and the timidity of capital, frightened by threatening dishonesty, and once impressed with the idea that a people, capable of running away from specie payments now, will thereafter be capable of any folly, may resort to any extreme promptly to save as much as possible of the investments felt to be in jeopardy. And what will be the effect of all this? Can there be anybody so crazy as to believe that this is the way to restore and foster that confidence which is so indispensable to the revival of business? Is it thus that capital can be called from its retirement to trust itself to the chances of enterprise? Is it thus that credit can be stimulated

to set in quicker motion again the wheels of our business machinery? Is it thus that you expect to open your factories, again inviting the laboring masses, so long out of employment? I appeal to you, my fellow citizens, of whatever occupation or walk of life, consider the outlook a moment with that unprejudiced calmness which befits sensible men.

There is not one of you who, after calm consideration, will fail to join me in the conclusion that a policy so adventurous and wild, now adopted, can scarcely fail to create new alarm and distrust,—distrust general and deep, and that this distrust will fall upon that business activity which, with the prospect of specie payments before us, is now hopefully reviving, like a blight more deadly than ever, confusing the minds and paralyzing the courage of honest men upon the exercise of whose energies the prosperity of the country depends, and opening a field of action only to the reckless speculators and gamblers who like to fish in troubled waters, and whose consciences do not shrink from building up ill-gotten fortunes upon the ruin of general good. Is that the lively business you desire?

DEBTOR AND CREDITOR.

Another cry which is artfully used by the advocates of a new inflation of irredeemable paper money is, that it will benefit the debtor. I will not stop to discuss the morality of such a proposition; but let us look at its practical effects. It is thought that, when in consequence of the expansion of our paper money, the currency depreciates, and you can receive larger nominal amounts of money for the things which you may have

to sell, you will with the depreciated legal tenders so obtained pay off your debts with greater ease and facility, and so get rid of them. Now it will be well for you to remember that, during the period of currency expansion which preceded the crash of 1873, for every dollar of debt that was paid off several dollars of debt were contracted. In fact, it was not a debt-paying, but it was emphatically a debt-making period, marked with an extraordinary degree of recklessness. And this was natural, for, when business is carried on under the influence of an artificial stimulus, when by an inflation of prices fictitious values are created, and enterprise runs to a great extent into speculation, the hopes of men are unreasonably excited, and all sorts of ventures are entered into on credit. Moreover, reckless extravagance in private expenditure is stimulated by the ease with which fictitious gains appear to be realized. This is a matter of historical experience. If, therefore, another period of currency expansion really did result, as the greenbackers desire, in the same excited state of business enterprise and the same illusions of wealth easily gained, it would not induce you to get rid, by prudent management, of the debts you have, but it would rather betray you into the making of new debts on top of the old ones, and, when the day of reckoning comes, you would be worse off than before ; or do you mean to bury the good name and prospective fortunes of the country under the disgrace and ruin of universal repudiation? I shall be slow to believe that there are, among those whom these words may reach, many so utterly destitute of honor and good sense as to contemplate such an idea without repugnance and indignation.

But if a new inflation of our paper money is undertaken, under present circumstances, it will be apt to affect the debtor in a different way ; and debtors would do well to stop and consider that the freaks which an irredeemable paper currency, in process of inflation, always plays with the value of money, are by this time well understood in this country, especially with those who have money due them, the creditors. They have gathered some pertinent experiences. They know that when such paper money increases in volume it will decrease in value, and that in a period of inflation the money due them will grow less in value the longer it is out. The creditor, when reasonably sure of his capital and interest, is apt to deal leniently with his debtor, and to accommodate him as much as possible. In most cases it will be his interest to do so. But when he knows that the legal tender in which the debt is due him, and is to be paid, will shrink more and more in value from day to day, and especially when he is alarmed by the adoption of wild schemes of financial policy, what will he do then ? He will resort to every means in his power to get hold of his money as quickly as possible, so as to put it into such investments as will secure him against that loss which is threatened by currency depreciation. Now, suppose the greenback policy, or the fiat-money scheme, which is to relieve all those that are heavily laden, be fairly inaugurated, will not the creditor at once know what it means ? Will he not clearly foresee that, if the plans of the paper-money apostles be carried out, the country will be flooded with paper legal-tenders ; that those legal tenders will inevitably grow less in value with every day the debt due him remains unpaid, and that, if he wants to save his principal and

interest, he must do it quickly? And what then? Then you will see the creditor in his most pitiless and inexorable state of mind. He will put on every screw of the law to squeeze his money without delay out of the debtor. Then no more accommodations; no more leniency; no more extension of notes; no more renewal of mortgages. The creditor will swiftly clutch every particle of security he can lay his hands on, and foreclosures of mortgages and forced sales will be the order of the day. What a glorious harvest for marshals, sheriffs and constables!

BUT WHAT WILL BECOME OF THE DEBTORS?

There will be a lively chorus of groaning and railing among them, for the miraculous paper money, which was to relieve them of their burdens, will, instead, relieve them of their property, and not in all cases at the same time of their debts. The paper money apostles promise to make business lively. Aye, my friends, if you are in debt, they will indeed make it lively for you. And then, in the bitterness of your distress, it will dawn upon you that it would have been infinitely better had you, instead of listening to the song of sly trickery, depended upon your own honest efforts for relief from your indebtedness, and set your faces resolutely against a deceiving money system, calculated to impair the necessary confidence between debtor and creditor, and, by a most natural alarm, inducing the latter to save himself through the severest process against the former. And thus careful and candid consideration will convince you that a new inflation of our paper currency, instead of relieving the debtor, is more likely to subject him to the most pressing and ruinous embarrassments, and entirely destroy that confi-

dence which is the first requisite of sound and fruitful credit relations in the business community.

This, then, is the way in which our paper agitators expect to make business lively, and to give general prosperity a new start—revive business, restore prosperity, by bringing about a condition of things in which everything will be in a cloud of uncertainty and distrust; in which confidence and credit will be shaken to their very foundation by the existence of a money system which, with the experiences before our eyes, will in every business transaction make everybody afraid of everybody else. And under such circumstances, with such fears hanging over the business world, do you, working-men, expect capital, proverbially timid, to venture into the chances of enterprise and to set all our industrial energies in motion again? Is it thus you think that work can be furnished to the unemployed? Do you not know, as every sensible man knows, that confidence is the first thing necessary to call the industrial forces into action, and that these wild schemes cannot but be the death of hope and trust? And such a policy you could be foolish enough to prefer to the resumption of specie payments, the mere prospect of which has already quickened the revival of confidence to a degree which everybody sees whose eyes are open? Surely, of all people in the world, you, whose daily life depends upon a fruitful activity of our social forces, you ought, as intelligent men, to be the very last to countenance those wild teachings, whose threatening influence seems now the only thing to counteract that revival, the hopeful symptoms of which are, with a sigh of relief, greeted all over the land.

THE POSITION OF THE WORKINGMAN.

The second thing the working-man must desire is that the fruit of his labor be realized, that his wages be paid him in a kind of money on the value of which he can depend—a money that will not cheat him ; and I shall endeavor to show that a gold dollar, or a paper dollar convertible into gold, is, and that, even under the most favorable circumstances, an irredeemable paper currency, such as advocated by the greenback or fiat dollar apostles, is not that kind of money.

When we hear our greenback or fiat-money apostle talk about the great things their schemes are to accomplish, we might almost receive the impression that a new issue of paper currency meant this : That some government officials would go round the country with big bags of money, putting some of it into everybody's pocket. Intelligent men need scarcely be told that this is not the way it would work. Under no circumstances would anybody receive money from the government as a gift. The merchant will have to sell merchandise for it ; the farmer will have to raise crops and stock for it ; the manufacturer will have to produce goods for it ; the laboring man will have to work for it and earn it as wages. For a dollar in greenbacks or in fiat money, as long as it is worth anything, he will have to work just as hard as for a dollar in gold. To-day the greenback dollar or a national bank note he receives in the shape of wages is, in point of value of purchasing power, as good as a dollar in gold. It will buy as much of food or clothes or shoes or other necessities or comforts of life as a gold dollar will buy. Why is this so ? Because the greenback dollar, although not yet

convertible into coin at the will of the holder, is generally expected to reach that state of convertibility in about two months, according to the resumption law, which law the government is prepared to execute. And, if that law is not interfered with, and specie payments go into operation and are maintained, the greenback and the national bank note will remain as good as coin in value and purchasing power, and the laboring man may accept either with equal confidence. He may rest assured that in neither case he will be cheated as to the value of money offered to him as wages. But now suppose the schemes of the paper-money apostles prevail, the resumption act is repealed, and resumption in the future made impossible by other contrivances ; what will follow ? According to programme, larger quantities of irredeemable paper money are issued, for the professed purpose of making money plenty, as they call it, and of stimulating business by raising prices. Then, of course, the paper dollar will no longer be the equal in purchasing power of the gold dollar. As more and more paper money is issued, the premium on gold will rise higher and higher, and the paper dollar will grow less and less in purchasing power. And it is only the paper dollar which you working-men will receive as wages, for gold will, of course, keep out of circulation, and paper money will practically be the only legal tender. "But what of that?" say the paper money apostles. "Is it not well that prices should rise? That is the way to make business lively." Let us see, working-men, how it will make business lively for him who labors for wages.

WAGES AND PRICES.

When the price of an article rises, that rise will for the time

bring benefit only to the man who has that article to sell. When real estate rises in price, the benefit accrues to the man who has lands and lots or houses to sell or to let. When provisions or clothing or boots and shoes rise in price, the benefit accrues in the first place to those who have stocks of provisions or clothing or boots and shoes on hand for sale ; and so on through the whole list. But what have you to sell, working-men ? You are no land-owners ; you have no lots or houses for sale ; you have no stocks of provisions or of clothing or of boots and shoes to put on the market. If, therefore, the rise in the price of those things benefits anybody, it is not you. In fact, you have nothing in the world to sell except your labor from day to day. Everything else you and your families need, or that would contribute to your comfort, you must buy. You must live in houses, and your tenements you have to rent of the house-owners. You and your families must wear clothes and be provided with hats and shoes, and those necessities you have to buy of the dealers in those articles. And when those things rise in price you will have to pay that increased price from day to day, for you and your families cannot remain without shelter and without the necessities of life. And it is evident that the higher cost of those things is not only no benefit to you, but takes so much more of the money you earn out of your pockets. When the same article which formerly cost \$1 costs \$2, then the same amount of wages for which you formerly could buy a full supply of those things will be sufficient to buy only half a supply, and you will have to go without the other half. This, I think, is clear.

“But,” say the paper-money agitators, “never mind that ;

when other prices rise in consequence of the depreciation of the currency, wages will rise also, and you will still be the better off for it." Let us see. In order to make you better off it would be necessary that wages should rise in a greater ratio than the prices of the things you have to buy. For when prices rise, so that things formerly costing \$1 now cost \$2, and you receive in wages only \$2 where you formerly received \$1, your \$2 will not buy a particle more of commodities than \$1 bought before, and you profit nothing. To benefit you, wages must, therefore, rise at a *higher* rate than the prices of other things. But has anybody ever told you that wages in any country, at any time, under the influence of currency inflation, have risen quicker and higher in proportion than general prices? If any man ever told you that set him down as a man too ignorant to be listened to or too unscrupulous to be trusted. What is the truth? Let us seek for it by the light of experience. That experience teaches us that wages, under such circumstances, do not only not rise higher in proportion than general prices, nor as high, but that the wages of labor are among the things which, under the influence of currency depreciation, rise last and rise least. I might pile fact upon fact to show that such has been, in every instance whenever a country was cursed with an irredeemable paper currency, the relation of wages to the cost of living. Such are the unvarying teachings of history.

THE ADVANTAGE WITH THE RICH.

The same causes will always bring forth the same effects, and both cause and effect are natural. A rich man, a man of

abundant means, can, in buying and selling, take advantage of the present and prospective opportunities offered by the fluctuations of the market. When a rise in prices is in prospect he can, anticipating that rise, hold on to the things he has to sell by marking up their prices ; he can purchase large quantities of the things that are likely to become dearer, before they go up, and thus make profit on them. When he sees reason to expect a fall in prices he may sell the things he has for sale as rapidly as possible, and abstain from making purchases, so as measurably to secure himself against loss, and then buy again when things have become cheap. With him this is a matter, not of necessity, but of calculation ; and as he is in a position giving him the means to inform himself, it depends only upon his sagacity whether he makes his calculations correctly. If he is shrewd enough to make those calculations correctly, he may derive profit from both rise as well as fall in prices. He has the means to do so. But a poor man, especially a man who depends for his living upon his wages earned from day to day, does not enjoy that advantage. He cannot, in anticipation of a rise of prices, hold on to that which he has to sell, or at his own sweet will mark up prices, for the only thing he has to sell is his labor, and that labor he must sell from day to day at whatever it will bring in the market, or he and his family will starve. Neither can he, when the things he has to buy, the necessaries of life, are likely to become dearer, purchase a large stock in advance, for he has not the means to do so. Nor can he, when a fall of prices or of wages is in prospect, sell that which he has to sell in quantities to secure himself against loss ; for the only thing he has to sell, his labor, can be

sold only from day to day ; nor can he wait with his purchases until things become cheaper, for the things he has to buy are the necessities of life, and he must have them from day to day as he and his family need them. With him, therefore, all this is not a matter of calculation, where his profit or loss will depend upon his foresight and sagacity. But he is the victim of his daily necessities, being obliged to sell and to buy, even under the most unfavorable circumstances. Thus he obviously labors under a very great disadvantage, which disadvantage is here and there somewhat lessened by coöperation, but so far only to a small extent.

This disadvantage is rendered more oppressive by the fluctuations occasioned by an irredeemable paper currency. These fluctuations are frequently very rapid and very great, but they are not regular and steady in one direction, for soon the element of speculation and gambling enters into them, subjecting the quotations of the current money to fitful ups and downs. Now see how it will work. As soon as the paper money policy is fairly inaugurated and new emissions are made to make money plenty, the premium on gold goes up and the paper dollar loses part of its purchasing power. This is inevitable. Then the merchant marks up his goods. In fact he is obliged to do so, for he knows that the money he will receive for them will not buy again as large a quantity of them as it did before. He is not over-anxious to sell, for he knows that, if the depreciation of the paper money continues progressively, the goods will rise in nominal value on his hands, and, inasmuch as the value of current money is subject to the influence of depreciation, the merchant will sometimes be apt to mark up the prices

of his goods even a little ahead of the actual depreciation of the currency, to cover his own gambling risk. The first effect, you feel is that when you go to the dealer to buy what you need, you have to pay a higher price for it, say at first from 5 to 10 per cent. To this the workingman has to submit, for he cannot help himself. He receives his wages, as a matter of course, in the depreciated currency, and for the time being only the old amount. That old nominal amount will buy of the things he wants, from 5 to 10 per cent. less.

EMPLOYER AND EMPLOYED.

But while he loses that percentage, the employer does not come to offer him an increase of 5 to 10 per cent. on the amount of his wages. At first the laboring man submits quietly, but while he submits his loss accumulates. But presently, as paper money is made "more plenty,"—only the laboring man does not get any more of it—the premium on gold goes up and up, the paper money depreciates further, and the prices of the things you buy rise still higher, say 25 to 30 per cent. above the old standard. The matter becomes more serious. The disproportion between your wages and the cost of living begins to pinch and trouble you. You have put up with the loss so far, but can do so no longer. The employer not coming to you with an offer of increase of wages, you go to him with a demand. What is the answer? "It is true," says the employer, "the cost of living has gone up. But the prices of the things I have to buy, of raw material for instance, have gone up too. Moreover, things are very uncertain, and, as to the prices of what I manufacture and have to sell, I cannot

tell whether there will not be a fall by the time I get my goods into market. I will do the best I can for you, but you must wait until things get more settled." And what he says about uncertainty is not without foundation. Besides, he will be able to get other men to take your places if you refuse to work on the old terms. So you wait; but every day you wait your loss accumulates. You have to sell your labor, and you have to buy your necessities; you sell the former at the price that is offered; you buy the latter at the price that is asked.

Meanwhile, paper money has been made still more plenty—while still you do not get more of it—and prices have risen still higher. The disproportion between your wages and the cost of living has become so great that at last the employer must agree to pay you more. But will your wages be raised to the full amount of the rise of prices?—Never,—and why not? Because the employer will plead again the same uncertainty as to prices at which the products of your labor can be sold when they reach the market. He will have the same ability to get other men in your places, if you quit work, and thus the disproportion between your wages and the cost of living continues, and with it the loss you suffer. Let nobody say that what I tell you is mere theory. In the history of your own State you find the proof of my assertion. From the statistics compiled by your labor bureau, corresponding with those of the United States census, it appears that the cost of living had risen 61 per cent. between 1860 and 1872, while the average increase of wages was only 30 per cent. This shows that the wages of labor did not only not rise in proportion to the increased cost of the things the working man had to buy,

but did not even rise one-half as much. To the amount of that difference you were cheated by that very paper money which is now held up to you as the means of making you all comfortable and happy. Do you want to repeat the experience? When a **man** cheats me once I have a right to call him a knave. When I permit **him** to cheat me twice he has a right to call me a fool. Which horn of the alternative do you prefer?

But this is not the last chapter of the story. All periods of paper money inflation have ended in one way, and they always will. After the speculation and gambling, the recklessness and improvidence which paper money inflation stimulates, comes the inevitable collapse. Business breaks down. The fever is followed by paralysis, and who are the sufferers? Rich men may, in the great break-down, lose their fortunes. Not a few of them do. But only those of them do who have miscalculated their chances. Those who used their opportunities with sagacity have found a way to escape, for they had the knowledge and the means to save themselves. The shrewdest and the most unscrupulous of them have even found a way to get richer. But what of you, working-men? Even before the cost of living comes down, while you are still compelled to pay exorbitant prices for your necessities, you are some day informed by your employer, who sniffs the coming storm from afar, if he is a prudent man, that the market threatens to be weak, and that work must be reduced or stopped altogether. Now the crash comes. If you are fortunate enough not to be thrown out of employment, you will have to be contented with lower wages. You feel like grumb-

ling, but your grumbling is of no avail. Those who in the great break-down earn anything, however little it may be, are the least unfortunate. At last, after all this has happened, the cost of living comes slowly down. And then you become aware that as the wages of labor were among the things which under the influence of an irredeemable paper money rise last and least, so they are among the things which, when the inevitable crash comes, fall first and most. Your candle has been burning at both ends. You went through that experience in 1873, and you know how hard it was. I repeat my question, Have you any desire to go through the same experience again ?

THE SAVINGS OF THE LABORING CLASSES.

But even this is not the end of the story. The honest workingman does not want to live merely from hand to mouth. He desires to lay up something for a rainy day. He has a praiseworthy ambition to improve his condition, to achieve an honorable independence, to educate his children and to start them well in the race of life. In other words, he wants to save. And to the honor of the workingmen of America be it said, not a few of them have risen in the scale of society to fortune and distinction by strenuous and successful effort, and a great many of them have, even during the trying times through which we have passed, not only made the two ends meet, but have laid up savings which in the aggregate amount to hundreds of millions. Those savings are the fruit of hard, honest toil and wise economy. That such savings should be secure in their value is not only the interest of the workingmen themselves, but it is the interest and also the duty of society in general. It is your own inter-

est, workingmen, to keep the value of your savings intact, for only thus can you hope to enjoy the accumulated fruit of your labor. It is the interest and duty of society, for it is the first encouragement of the industry, thrift and virtue of its numerous and most productive classes. To impair or destroy the value of the savings of the laboring millions is one of the greatest and most dangerous crimes society can commit against itself. How does the inflation of irredeemable paper money affect those savings? Nothing can be more simple.

Most of those savings are deposited in savings banks or similar institutions, to be drawn out again when depositors may need them. It is a deplorable fact that some of those institutions have not proved as safe in their management as they ought to have been, and, by their failure, grievous losses have been suffered by many trusting individuals. But the losses so suffered are, in the aggregate, nothing compared with those inflicted upon the owners of those savings in general by the depreciation of an irredeemable currency. The amount of deposits made by the laboring men and people of small means in savings banks and similar institutions throughout the country amount altogether to about \$1,000,000,000. In this State there are over \$200,000,000. Now, when some savings bank fails, and depositors lose a million or two, a cry of distress and indignation rises up at so great a calamity. If the failure has been brought about by reckless or dishonest management, the managers are loaded with the curses of the community, and justly so. And yet the loss is only a million or two. "*Only* a million or two?" you will say; "is *only* a million or two nothing?" A million or two may appear to you a considerable thing. But I will show to you that such a loss is

comparatively nothing. Suppose your greenbackers, your fiat-money apostles, get into power to carry out their schemes, and a loss of only a million or two will appear to you as a trifle scarcely worth speaking of. When they begin to "make money plenty," and, in consequence of currency inflation, it depreciates only five per cent. which is comparatively little, the loss of those who own the \$1,000,000,000 of deposited savings will be how much? Not only a million or two, it will be \$50,000,000 at one blow. When the currency depreciates ten per cent. the loss will be \$100,000,000, and when money is made still more plenty, and the currency depreciates twenty per cent. your loss in the value of your savings will be \$200,000,000, and so on. How is this? By the mere expansion of paper money the amount of your savings in dollars is not increased one cent. But by the depreciation of the paper money following that expansion, the purchasing power of your savings is *decreased* to the amount of that depreciation. It is as plain as daylight. And do not your greenbackers and fiat-money doctors tell you that irredeemable paper money *must* be made plenty, to raise prices and to make business lively? Thus the depreciation of the currency is not a mere incident, but it is one of the objects of their scheme, and, if that scheme prevails, is it not certain that depreciation will rapidly come on? By robbing you of hundreds of millions in the value of your savings, they will indeed make business "lively" for you.

CRIPPLED SOLDIERS' PENSIONS.

There are, hereabout, agitators in the fiat-money line pretending to be the particular friends of the soldiers who saved the

life of the republic in the war of the rebellion. They overflow with tenderness especially for the "wounded and crippled heroes." The pensions paid to wounded and disabled soldiers amount to nearly \$30,000,000 annually. It is a debt the American people honestly owes them, and it ought to be honestly paid. It is emphatically a debt of honor. These \$30,000,000 annually as pensions are now as good as gold, and no patriotic man will deny that the crippled pensioner of the republic deserves a dollar as good as gold now and for all time. But if the schemes of these greenback or fiat-money patriots prevail, and paper money is made plenty and depreciates, a depreciation of ten per cent. will rob the wounded soldiers of \$3,000,000; a depreciation of twenty per cent will strip them of \$6,000,000 a year of the money earned with their blood. Thus the fiat-money patriots will make business "lively" indeed for the pensioners, and I would advise the wounded and crippled soldiers to look sharp after their paper money benefactors.

WHO IS RESPONSIBLE?

Your accumulated savings, working-men, are to-day within a hair's breath as good as gold. As soon as resumption takes place they will be fully so. If the government is not mischievously interfered with in maintaining specie payments they will remain so. And now I ask you in all candor—and you would do well to ponder the question—to whom do you owe it that, when after the great business collapse of 1873 many of you were thrown out of work and many others compelled to work at reduced wages, and you had to fall back upon your

savings,—to whom do you owe it that those savings became more valuable from day to day and from month to month, until now, at last, they are as good as the best money in the world? Who was it that protected you against the wholesale robbery, by which further currency depreciation would have stripped you of the hard-earned accumulated fruit of your toil? The same men did it whom demagogues denounced to you as the tools of bloodsuckers and monopolists, because they stood up in the halls of legislation, as well as before the people, fighting for honest money that would not cheat you. What would have become of you had the counsels of those prevailed, who pretended that they could cure all the ills of the social body, and give you prosperity and wealth by flooding the country once more with that cruel deception, an irredeemable paper money? In the hour of need and distress you would not only have been without remunerative employment, but even the earnings of former years of hard toil would have shrunk to a miserable pittance. Who is there that will deny this? What mind so dull as not to understand it? And now, when you have just escaped the dangerous consequences of their teachings, you would entrust your future to the same men? Does the value of your savings lie so heavily upon your hands that you want to get rid of it? If so, then, and only then, by all means follow the lead of your greenback and fiat-money apostles, who promise to relieve you of your cares by a kind of money which in fact will relieve you of the value of your saved earnings. But, if you are the sensible men I take you to be, you will not forget that the first rule of wisdom teaches you to make sure of that which you have before grasping at shadows beyond.

Do you want your savings to be worth dollar for dollar? Then there is but one thing for you to do. Show your heels to the tempting demagogue, and put your trust only in that dollar which, being a dollar once, is sure to be a dollar all the time. Give up the cause of that dollar to-day, and you do not know what your savings will be worth to-morrow. Do you want to maintain your reputation as intelligent men? Then do not permit yourselves to be robbed of the value of your earnings with your eyes open.

Working-men, I have spoken plainly to you, without art or ornament. I have not unfolded to you philosophical theories to bewilder your understanding. Breaking through the fantastic promises of easily and quickly acquired wealth, with which the paper-money agitators strive to tickle your imagination, I have laid before you simple facts and figures, known to every observing man and intelligible to every candid mind, and from them I have drawn simple conclusions by simple reasoning. Nobody can deny that those facts are true or that these conclusions are correct. Look at them once more.

FACTS PLAINLY STATED.

A revival of business activity, which is to give employment to the industrial forces of the country, cannot be expected without a revival of that confidence which induces capital to venture freely into business enterprise. The revival of confidence is, therefore, the first condition of a general and remunerative employment of labor. Who will question this?

The prospect of specie resumption has already, in a perceptible degree, aided in reviving confidence and in encourag-

ing business activity by giving the assurance of a stability of money value. This is a fact known to every observing man. A return to the system of irredeemable paper money and a new expansion of that kind of currency would indefinitely postpone specie payments ; it would inevitably result in new and violent fluctuations of money values and new uncertainty ; it would thereby, with the experience of recent disasters before us, create intense distrust instead of confidence, frighten capital away from business enterprise, and fall like a blight upon reviving business. Who will question this ?

An inflation of our paper money, producing an inflation of prices, would inevitably injure the interests of the laborer for wages more than those of any other class of society ; for, in the very nature of things, and as universal experience shows, it would increase the cost of living far more than the rate of wages. Who will question this ?

An inflation of our paper money, bringing about its progressive depreciation, would inevitably rob the workingman of a great part of the value of his accumulated savings, while specie resumption will make and keep every dollar of those savings as good as gold. Who will question this ?

And now, in the face of these facts, which are as notorious as sunlight, and of these conclusions, which are as clear as mathematical demonstrations, can any man who depends for his living upon the remunerative employment of his labor, a workingman, who, by industry and prudent economy, endeavors to improve his own condition and that of his children, be so utterly blind to his own interests as to follow leaders insidiously advising him, if he has strength to work, to strip that labor of

its honest earnings, and if he has a dollar saved, to cheat him of its value? Are you men of self-respect? Then you will feel that those who think they can speculate upon your credulity and ignorance insult your manhood.

Look only at the grossness of the deceptions the paper-money agitators attempt to practise upon you. I cannot read their speeches and pamphlets without amazement at the audacity of their misrepresentations and falsehoods.

INFLATION FALLACIES EXPOSED.

Let me show you some of them. While on the one hand they tickle you with promises of plenty of money and "lively" business to be brought about by high prices stimulated by the depreciation of that redundant money, they try to make you believe, on the other hand, that the redundancy of that paper money will not depreciate so as to injure you. You hear them say that the value of an irredeemable paper currency does not depend upon its quantity, but upon the credit of the government issuing it. They point to the fluctuations in the value of our greenbacks during the war, which seemed at times independent of the quantity issued. Of course the value fluctuated then, as the changing fortunes of war affected the prospective solvency of the government. It is certainly true that the value of irredeemable paper money depends, among other things, upon the credit of the government. But is it not just as true that the credit of the government, as to its paper money, depends upon the quantity of that currency which is issued? You know as well as I do that some merchant may put his hand to notes amounting to \$100,000, and yet his credit remains intact,

and his notes are considered as good as cash, gilt-edged. Why is this so? Because he is generally considered good for that amount. But, let the same merchant put on the market notes beyond \$100,000, the amount he is generally considered good for, and his credit will grow worse and worse with every note he issues in excess. Has not an excessive issue of paper money just so affected the credit of every government that attempted it, in every age and in every country, in spite of the sovereign power of such government? Every well-informed man knows that it has. And now to say that the value of irredeemable paper money depends, not upon the quantity issued, but upon the credit of the government, is it not like saying that the intoxicating power of whiskey does not depend upon the quantity of alcohol in it, but upon the quantity you can safely carry, and upon the credit you have at the bar? Pardon me for using that alcoholic illustration again. The human mind, when trying to illustrate the workings of an inflated paper currency, resorts instinctively to the analogy of intoxicating drinks.

They tell you that specie payments are a very unsafe system, because sometimes panics and crises in the business world will occur, during which specie payments are suspended; and that, therefore, it is best to have no specie payments at all. Undoubtedly, such panics and crises have occurred, and they have had such temporary results. But is that a reason for *permanently* suspending specie payments, and for introducing for all time an irredeemable paper money? You might as well say: The state of health of the people of New England may, as a general thing, be tolerably good, but it is unsafe, for sometimes it is interrupted by epidemics like the cholera and smallpox,

and because it is so interrupted, and is, therefore, not safe, we had better introduce cholera and smallpox among us as a permanent institution.

EUROPEAN FINANCIAL EXPERIENCE.

They tell you, and that remark is quoted from a very prominent man in Massachusetts—especially prominent at this moment—that the strongest and foremost representative of specie payments in the world, the Bank of England, has been obliged to suspend specie payments, since the resumption in 1823, about once every ten years, thus bringing disaster upon the people; and by this statement they mean to prove that specie payments can never be maintained, even by the strongest banking organization, for any length of time. When they tell you this, they attempt to deceive you by direct falsehood. Open any textbook on the subject of finance, and you will find that the Bank of England has not suspended specie payments for a single day since the resumption in 1823. What was suspended now and then, in times of panic and extraordinary pressure, was the bank act, the suspension of which permitted the bank to issue a greater quantity of notes in proportion to its reserves. But since the resumption of specie payments, after the Napoleonic wars, no man ever presented to the Bank of England a note for redemption without receiving therefore its face in gold. While the greenback apostles object to coined money, they have no objection, it seems, to the coining of falsehoods.

They will tell you that during the terrible business depression which for the last five years has distressed this country and Europe, France alone among the great nations of Europe

maintained her prosperity, and that this was owing to the irredeemable paper currency then in use in that country. It is true that France has been, to a great extent, exempt from the general business stagnation and distress. But it is also true that during that very period France, by a sharp contraction of the paper currency, made her way back to specie payments, and that specie payments were resumed on January 1, 1878, less than seven years of the close of a disastrous war. They forget to tell you that during that time the French people, instead of foolishly crying for more paper money, resolutely devoted themselves to sturdy, well-directed industry and prudent economy, and thus weathered the storm which swept so destructively over the rest of the civilized world. They forget to tell you that it was contraction, and not inflation, which in France marked the period of so remarkable an achievement ; that of all nations in the world the French, are, perhaps, the firmest devotees of metallic money ; and that a man advising them now to undo the resumption of specie payments just achieved, and to return to irredeemable paper money, would in that country have an excellent chance quickly to be locked up in a lunatic asylum, where he would find congenial company. Certainly, if we were to take a lesson from France, every Frenchman would advise us to do that same thing with our greenback and fiat money apostles here, so as to render that species of derangement as harmless with us as it is with them.

DESPERATE DEMAGOGERY.

I have mentioned these things to show you how utterly flimsy even their most pretentious objections to the resump-

tion of specie payments are, and how easily they are exploded. When a man approaches you with such arguments, you have a right to repel them with the reply that they show less respect for your intelligence than you are entitled to. I have neither time nor desire to go through the whole list of absurdities with which a mischievous agitation seeks to befog your understandings. But I cannot refrain from warning you against an insidious attempt made by some to further the cause of paper-money inflation by exciting the hatred of the poor against the rich. To excite the hatred of the poor against the rich has, in all ages and in all countries, been the favorite resort of desperate demagogery. But in a country like ours, where no barrier of privilege separates the different classes of society, where honest individual effort is hampered neither by legal obstacles nor by prejudice or custom, where every day we see millionaires as the fathers of paupers, and merchant princes who were rocked in a poor man's cradle; where fortune and station, social and public, are equally open to the intelligence, virtue and energy of all,—in this country such appeals should meet with contemptuous ridicule as well as abhorrence. Such a cry is a blasphemous calumny on our political institutions and our social order. Within the memory of the youngest man before me you have seen a rail-splitter from Illinois and a tailor from Tennessee in the Presidential chair of this great republic. You have seen, walking in the streets of Boston, a cobbler of Massachusetts Vice-President of the United States; you see to-day a man who commenced his career as an operative in a woollen mill, the republican candidate for the governorship of this noble Commonwealth. Go over the list of your

merchants and manufacturers most envied for their prosperity, of your men most eminent in the professions, in literature and learning ; how many do you find of an origin so humble and obscure that you can scarcely trace it ! There is no working-man within the reach of my voice who knows whether one of his children will not in thirty years overtop them all in wealth or public eminence. There is no millionaire who is sure whether one of his children may not, before this waning century is out, have to black the boots of the poor man's son for a living. And in a country like this, with its resources and opportunities, where the survival of the fittest is the order of the day, where a measureless field of labor and enterprise never ceases to encourage every honorable ambition,—in such a country, we must hear appeals to the hatred of the poor against the rich ? Truly, the man who makes such appeals insults the people ; and the man who listens to them does not respect himself.

But when such appeals are made in favor of irredeemable paper money, they are a fraud of more than ordinary grossness and peculiarly significant of the source from which they come. No sensible man in America objects to the wealth acquired by righteous means. But human ingenuity can scarcely devise a contrivance which gives such enormous advantages, not to the honest business man, but to the unscrupulous speculator and gambler in the accumulation of wealth at the expense of legitimate business and labor, as a paper money with its fluctuations of value. And thus the men who, in favor of such a money system, excite the hatred of the poor against the rich, only play into the hands of those who strive to rob

and oppress the honest and the poor in order to accumulate riches by over-reaching tricks with the money that cheats. It is the natural alliance of the demagogue with the gambler.

Do not understand me as saying that in the existing social order everything is just as it ought to be ; that there are no evils to be corrected, and that no salutary reforms might be achieved by private action or legislative measures. That is undoubtedly so. Much can and will be done by a wise co-operation of the social elements. But I do say that those evils can not only not be remedied, but must be seriously aggravated, by a paper currency which oppresses labor, and which is, in every respect, calculated to make the worst among the rich richer and the poor poorer.

WHAT RESUMPTION WILL DO.

Neither do I promise you that the resumption of specie payments will bring on the millenium ; that all trouble and embarrassment will cease, and that you will gain comfort and fortune without honest effort and downright work. Those of you who wait for roast pigs with lemons in their mouths and knives and forks stuck in their backs, to come in at your front doors and ask to be eaten, will wait in vain. Whoever tells you that, under any money system, you can honorably acquire money without honorably earning it, or honorably get rid of your obligations without discharging them, let him be set down as a humbug. And, whenever anybody tries to make you believe that you can increase your earnings by introducing a dollar which loses its value over night, or that you can improve your condition by stirring up bitterness and strife between those

elements of society which must harmoniously work together for the common benefit, repel him as your worst enemy. No, even under the best money system of the world, you will have to work for what you mean to enjoy, and none will exempt you all from trouble and misfortune. And thus, as an honest man, I shall not hold out to you promises which no human contrivance can fulfil. But I do say that the restoration of sound money will revive that confidence which is necessary to set all the industrial forces of the country in motion again to give you remunerative employment ; that it will protect you against that insidious robbery with which a currency of fluctuating value strips your earnings and savings of their purchasing power ; that it will open to you a fair chance again in the struggle of life by securing to you an honest dollar as wages for honest work. That is what the restoration of sound money will accomplish for yourselves and your children. This you can powerfully aid in achieving if you are true to your own interests.

THE DUTY OF THE WORKINGMAN.

And now let me offer you, in conclusion, a word of earnest advice. I have no doubt that, after calmly thinking out the problem to be solved, every intelligent workingman will be on the side of the honest dollar. The time is near when those of you who are not so now, will be ashamed of their folly. But it is not sufficient that your opinions be right ; for the welfare of all that is essential that you so act as to make your convictions tell. You have in your hand the powerful weapon of the ballot, and that weapon you are now again called upon to wield for good or evil. You have a great opportunity to exercise a tremendous

influence in shaping the destinies of this great republic. No good citizen will at such a time be without a deep sense of duty and responsibility. No prudent man, who thinks before he acts, no patriotic man, who has the common good at heart, will permit himself to be moved by the wild shouts of those who appeal to prejudice and passion. When the cry is raised that there must be a change to "shake up things," he will consider that no change will benefit him unless it be a change for the better. Somebody may advise you to change the watch-dog in your yard, and to appoint the fox to watch over your hen-roost. That will, indeed be a change, calculated to "shake up things;" but what will become of your chickens?

At this junction you, workingmen, need only open your eyes to find the right path. I have not come among you as the mere advocate of a party, but as the defender of a cause, and that cause the honor of the republic and prosperity of the people. "The party, right or wrong," has never been my battle cry, and it never will be. But at this moment, when a great decision is impending, I feel free to recommend to you a safe rule of action. Do not trust any public man or any party as your friend who does not advocate the honest dollar as wages for honest work. Those who do not, whatever other promises they may make, betray your interest in its most vital point. I am far from saying that the republican party has always treated this momentous question with the earnestness and foresight required for its prompt and complete solution. But I do say, and this is the conviction of an independent man, that the republican party is growing stronger every day in union of sentiment, in courage, determination and energy to achieve the great end, and

that to-day it is, with an administration at the head of affairs, firm in its purpose, the best, the only organized reliance you have for the fullest maintenance of the public faith and the restoration of a money system as just to the poor as it is to the rich. I do not say that there are not among the democrats many men who heartily agree with us in sentiment. Honor to them ! But I do say that their party, in many of its local organizations, has betrayed its old good hard-money faith ; has formed alliance with the promoters of the most mischievous doctrines, and throws for them a vast preponderance of its influence and power. Between the two the workingmen of America should at this decisive moment be, of all men, the very last to hesitate in their election. The triumph of honest money will not be a mere party triumph ; it will be the victory of your own true interests over a power of evil which, notwithstanding all its artful blandishments, threatens to despoil and degrade you.

ADVICE FOR THE FUTURE.

One word more. Your duty will not be ended when, on the fifth of November, you have cast your vote. The system of specie payments once inaugurated, as it will be on the first of January unless prevented by legislative interference, a policy of wisdom and firmness will be required to maintain it. When preparatory steps for the resumption of specie payments were to be taken, it was the apprehension of adverse currents of popular sentiment which staggered the resolution of not a few of our public men. From you whose vital interests are at stake, should now proceed an inspiration to their courage and firmness to complete the great work and to secure its success. Let the

legislators of the country know that the workingmen of America insist upon an honest dollar for honest work, and that, desiring that end, they desire the employment of all the means necessary for its accomplishment. The question of sound money—mark what I say—is one of those which admit of

NO COMPROMISE.

If you want confidence and a revival of business you must not begin by overthrowing a safe banking system which serves as a universally trusted depository for business funds and a machinery of business exchanges. If you desire the resumption of specie payments you must not substitute greenbacks for the national bank currency, and thus put upon the government a load of paper money beyond its capacity of redemption. If you want gold to circulate you must not keep the volume of paper money beyond the requirements of the business of the country, for the excess of that paper money presenting itself again and again for redemption will drain the Treasury of its reserves and drive gold into our foreign commerce. If you want to guard the business of the country from disturbance by fluctuations of relative value between gold and silver, and if you desire gold to remain a part of your circulating medium at all, you must limit the coinage of silver to that quantity which can be absorbed by the retail trade, and accordingly fix its legal tender character. If you want health you must not admit a dash of yellow fever. These truths are clear already to the minds of most thinking men ; and I doubt not they will become clear to the minds of all. It is your manifest interest that they be well remembered in the settlement of our financial problem.

It is your duty not to permit the legislators of the country to forget them.

IMPORTANCE OF THE PRESENT CONTEST.

Citizens of Massachusetts, the contest now in progress in your State is watched by the whole American people with uncommon attention. You are proud of the historic past of your Commonwealth, and justly so. Whenever the republic was in danger, Massachusetts was among the foremost of its defenders. Whenever human rights needed an advocate, the voice of Massachusetts resounded through the land. Whenever the cause of education, enlightenment, progress and virtue wanted a champion, Massachusetts pressed to the front. Everywhere within the vast bounderies of this great republic Massachusetts has planted colonies of her intelligence and learning. Whatever there can be in the past achievements to inspire a noble ambition, your State possesses it all. No people can have better reason to respect themselves than the people of this Commonwealth. Not one of her citizens should ever for a moment forget what is due to her great name. And now, when so much is at stake, and the nation hopes once more to hear the voice of Massachusetts for the maintainance of the public honor, and measures of paramount necessity for the common welfare, let not that hope be in vain!

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NATIONAL BANKING.

THE HISTORY OF THE NATIONAL BANKING ACT.

Abraham Lincoln and Salmon P. Chase were the first to propose the present system of national banks. Wm. P. Fessenden, Chas. Sumner, Henry Wilson, Benj. F. Wade, Owen Lovejoy, and Thaddeus Stevens advocated it or approved it and voted for it.

Secretary Chase, in his report accompanying the President's message at the opening of the regular session of Congress in December, 1861, after describing the proposed banking system, thus briefly indicated the reasons for its adoption :

“In this plan, the people in their ordinary course of business will find the advantages of uniformity in currency ; of uniformity in security ; of effectual safeguard, if effectual safeguard is possible, against depreciation ; and of protection from losses in discounts and exchanges.”

Here are indicated the principal evils which at that time attended the operations of banking—depre-

ciation and varying value of bills, and risks and high rates of discount and exchange. How completely the national banking system has accomplished its object! These dangers and annoyances in banking transactions are now held petty and insignificant, and are almost forgotten.

Secretary Chase further indicated the advantages of the proposed system :

“The people would find the further advantages of
“a large demand for government securities, of in-
“creased facilities for obtaining the loans required
“by the war, and of some alleviation of the burdens
“on industry through a discrimination of the rate of
“interest, or a participation in the profits of circu-
“lation, without risking the perils of a great money
“monopoly.

“A further and important advantage to the peo-
“ple may be expected in the increased security of
“the Union, springing from the common interest
“in its preservation created in the distribution of its
“stocks throughout the country, as the basis of
“their circulation.”

Here we have set forth the true intent and character of the national banking act. It was ingenious, wise and patriotic. It was meant to benefit the people in their business interests and to cement the Union. It was not a scheme of brokers and bankers to increase commissions and rates of interest, but

a device of statesmen to cause diverse interests to center in the preservation of the government. Its results have been even more than were expected. Without in any sense creating a monopoly or a money power, it has introduced great economy into ordinary business transactions, has greatly lessened the charges of conducting trade, and has greatly facilitated the transfer of large sums of capital to those parts of the country where they have been most needed, and it has extended so many cords of mutual interest, between men and communities in widely-separated parts of the country, that it has made the destruction of the national banks a necessary preliminary to any new move for the destruction of the Union.

The first draft of the national bank act was made in December, 1861, by Hon. E. G. Spaulding, at the request of Secretary Chase. But the project found at first very little support. The representatives of the large State banks did not favor it. And the members of Congress from New York and New England regarded it with much jealousy. The bill remained unacted upon for more than a year.

But President Lincoln firmly believed in the beneficial effects of the proposed national banking scheme. He was alarmed at the increase of government legal tender paper money, and the rise of prices, and with strong practical common sense he

saw the remedy in well-regulated national bank currency.

He repeatedly expressed these views in his messages, and January 17, 1863, he sent a special message to Congress, expressing his regret at signing a bill for an additional issue of \$100,000,000 United States legal tender notes, because this form of currency, together with that of the suspended banks, "had become so redundant as to increase prices beyond real values, thereby augmenting the cost of living to the injury of labor, and the cost of supplies to the injury of the whole country."

To correct this evil he again recommended the adoption of a national banking act. He said:

"To that end a uniform currency, in which taxes, "subscriptions to loans, and all other ordinary public dues, as well as all private dues may be paid, is "almost if not quite indispensable. Such a currency "can be furnished by banking associations, organized under a general act of Congress, as suggested "in my message at the beginning of the present session. The securing of this circulation by the "pledge of United States bonds as therein suggested, "would still further facilitate loans by increasing "the present, and causing a future demand for such "bonds."

It is easy to see from these quotations what interests Abraham Lincoln had most at heart—protection

of the laboring classes against the injury of a false standard of value upon the cost of living, and securing a good market for government bonds, that he might have the means to push to triumph the war for the Union. The national banks were born of these good intentions.

Congress, thus urged by the President, took up the national currency bank bill on the 2nd of February, 1863; and after long debate it passed both houses by small majorities—two in the Senate and fourteen in the House.

The bill was signed by the President March 25, 1863, but no national bank currency was issued until about the first of January, 1864.

The First National Bank of Philadelphia was organized by Jay Cooke, then the agent of the Treasury, and his associates, June 20, 1863; but no currency was issued until December 21, 1863. The First National Bank of New Haven was second on the list. The third was the First National Bank of Youngstown, Ohio. Indeed, the smaller cities of the country were generally first in adopting the new system. The great monetary centers did not favor it, and the great banks came to it with much hesitation and after long deliberation.

It is worthy of remark in this connection, that the national bank act was intended by its originators to inaugurate *a permanent system* of national currency.

This sufficiently appears from the quotation already given from Lincoln's message of January 17, 1863. It was also frequently announced by the advocates of the measure in the debate upon the bill. But the bank men of the country did not at first so regard it. Erastus Corning wrote to Mr. Spaulding, that the bill must be carefully drawn, for his State (New York) would not favor it. Leading bankers from the principal cities expressed their disapprobation in interviews with the Secretary of the Treasury. Mr. Hugh McCullough, at that time a banker in Indiana, was opposed to the bill. It was believed that the banks of the country would not submit to the frequent official examinations and publications of statements, and novel restrictions which it provided. But the sentiment of the people was found to be in its favor, and the patriotism of the bankers proved to be above self-interest. They submitted to the exactions of the new law, and one by one the principal banks of the country organized under it. They accepted it as a permanent system, not for their own profit, but for the good of the country.

The greatest number of national banks was reached about June 30, 1876, when there were two thousand and ninety-one doing business. Since that time the number has somewhat declined.

The total number of national banks organized since the establishment of the national banking system on

February 25, 1863, is two thousand four hundred. Of these, two hundred and seventy-three have gone into voluntary liquidation by vote of shareholders owning two-thirds of their respective capitals, and seventy-four have been placed in the hands of receivers for the purpose of closing up their affairs, leaving two thousand and fifty-three in existence on November 1, 1878.

During the past year twenty-eight banks have been organized, with an authorized capital of \$2,775,000, to which \$1,598,800, in circulating notes, have been issued. Fifteen banks have failed within this period, having an aggregate capital of \$2,712,500, and forty-one banks, with a total capital of \$5,200,000, have voluntarily discontinued business.

There is hardly space here even to indicate the various amendments which have been made from time to time to the national bank act.

It was originally provided that \$300,000,000 of currency should be issued, \$150,000,000 apportioned according to population, and \$150,000,000 apportioned according to banking capital. But this distribution was thought to be unjust to poorer and less settled parts of the country, and after several successive modifications, the limits upon the amount and distribution of the currency were entirely removed. On the 26th October, 1878, there were \$321,008,820 of national bank currency outstanding.

Banking is now free. Any five men of good character, having the requisite capital, can organize a national bank in any part of the country, by conforming to the provisions of the act. They can deposit their bonds with the comptroller and receive ninety per cent. of the value thereof in notes; but they must make statements of their business in regular form, whenever called upon, and must submit their affairs to examination, at the most unexpected moments. They must keep a reserve fund for the redemption of their outstanding notes. They must also maintain a fund in lawful money for the payment of their deposits. If they fail to conform to the requirements of the law, or otherwise show to the satisfaction of the comptroller that they are not conducting a safe and legitimate banking business, their bank will be put into the hands of a receiver and its affairs concluded. Banking is perfectly free in this country to men who have the requisite skill and capital.

It has been suggested by certain visionary opponents of the national bank system, that the method of depositing bonds and drawing ninety per cent. of the value in currency may be utilized by shrewd persons, and made the means of a profitable speculation. It is imagined that any person having obtained \$100,000 in bonds may deposit them and draw \$90,000 in circulating notes, buy more bonds with

these notes, and upon those bonds obtain more notes, and so on indefinitely, obtaining some \$800,000 upon an original investment of \$100,000. The absurdity of this supposition is apparent to any one who chooses to consult the law. The law provides that the amount of circulating notes to be furnished to each association shall not be, in any case, in excess of ninety per cent. of its paid-up capital. And it is also provided that no "association shall use its circulating notes or any part thereof, in any manner or form, to create or increase its capital stock." It is, therefore, absolutely impossible to carry on such a speculation. And the recklessness and ignorance of those, who have spent their time in devising this injurious supposition, are manifest.

THE HISTORY OF PREVIOUS BANKING IN THIS COUNTRY.

The national bank act, although originating in the minds of Lincoln or Chase, or both, was a natural growth from the previous financial experience of this country.

It is obvious that banks of some kind are necessary to the business transactions of a civilized community. If banks of all sorts were abolished, we would be obliged to multiply our exertions, and to divide our comforts. Banks are labor-saving ma-

chines. They enable one dollar of actual money to do the work of ten, or of a hundred.

Very early in the history of this country, banking in a crude form was begun. There is evidence of a bank of issue in Massachusetts, as early as 1686. Following the John Law and South Sea schemes in Europe, many experiments of a like character were inaugurated in this country. At the time of the revolution, the colonies had tried many experiments in banking projects, and had learned many valuable lessons by sad experience. But none of the many banks survived the war.

Robert Morris devised the first organized general bank, after the independence of the United States, when superintendent of the Federal finances in 1781. It was styled the Bank of North America, and began business in Philadelphia in 1782, with a capital of 400,000 Spanish milled dollars. It was in this year granted an act of incorporation by the legislature of Pennsylvania. It continued in existence as a State bank until 1864, when it became a national bank, and still exists, having now a capital of \$1,000,000, as the National Bank of North America.

The Bank of Massachusetts was chartered by the legislature of that State, February 7, 1784. It began business with a capital of \$300,000, and is now doing business as a national bank with a capital of \$800,000.

The Bank of New York began business in 1784, but was not granted a charter by that State until 1791. It still exists as a national bank with a capital of \$3,000,000.

From these beginnings the number of banks increased rapidly. Nearly all the States granted many special charters, and at times the country was troubled with multitudes of bank notes which greatly fluctuated in value.

The first bank of the United States was chartered February 25, 1791, by Congress, on a plan proposed by Alexander Hamilton. The capital stock was \$10,000,000. \$2,000,000 was subscribed by the United States government. This stock was afterwards sold, and the government made a profit of 57 per cent. upon its investment. The bank issued bills, but none under \$10.

The management of this bank is represented to have been very judicious, and the business of the country prospered under its influence. Its charter expired in 1811, and Congress, by a very close vote, refused to renew it. The bank settled its affairs without loss to any one, paying all its depositors and bill-holders in full, and even returning to its shareholders more than the full par value of their shares.

The opponents of this bank were doubtless influenced by many unworthy personal motives. It was charged with being a monopoly, oligarchical in its

nature and wielding more power than should be entrusted to any board of directors under a republican form of government. There was force in this argument, and, aided as it was by much local jealousy from other parts of the country against Philadelphia, it served to overthrow this very useful institution.

The nation suffered greatly for the lack of the financial assistance, which this bank would have undoubtedly rendered, in the war of 1812.

Following the closing of the United States Bank, a multitude of banks were chartered in the several States, and paper circulation increased enormously, so that a general suspension of specie payments was forced in 1814.

The utility of the United States Bank was then made apparent, and the people demanded that it be rechartered. A new charter was granted in 1816, running twenty years, and the capital was fixed at \$35,000,000.

The second United States Bank opened its doors at a most unfavorable time. Business was in a most depressed condition, suffering the reaction from the State bank note inflation of 1812-15. The management of this bank does not seem to have entitled it to the confidence of the people. It appears to have been headstrong and impressed with a sense of its own power and importance. It enlarged its dis-

counts unwisely and made large advances upon its own stock, and it is said that within one year of its beginning business it was insolvent. However, it managed to continue payment and to better its condition, and might have prospered. But it encountered the famous opposition of Andrew Jackson, and proved no match for that vigorous fighter. It is charged that the bank to gain popularity almost doubled its discounts, and then, to terrify its enemies, violently contracted its advances. Its controlling minds appeared unequal to the emergency. It failed to secure a new charter from Congress in 1836, but continued business under a charter from the State of Pennsylvania until 1841, when it was forced to make an assignment. Its note-holders and depositors were paid in full, but its shareholders, with the exception of the United States government, whose \$7,000,000 of stock was paid in full, lost the whole amount subscribed by them.

Another attempt was made in 1841 to obtain a charter from Congress for a United States Bank, but the bill was vetoed by President Tyler and failed.

The people of the United States had learned from these experiences two lessons :

1st. That a national bank properly conducted was a great advantage to the business of the country.

2nd. That the power inseparable from a great national bank, when placed in the hands of a few self-

ish, unwise or unpatriotic men, might be dangerous to the welfare of the nation.

No device was proposed for reconciling these opposing lessons, and the people, preferring to suffer inconvenience and retarding of prosperity rather than run the risk of endangering their liberties, approved the course of Jackson, and made an effort to satisfy the demands of trade with the imperfect facilities afforded by State banks. This state of affairs continued for twenty years, and during that period there were nearly as many distinct systems of bank-paper currency as there were States in the Union, hampering trade between distant points, by making the means of payment vexatious and uncertain.

The best known and most satisfactory of these systems were the Suffolk Bank system, which applied to all New England, and the Free Banking system of New York.

The first compelled all the banks in New England to redeem their notes at par at the counter of the Suffolk Bank of Boston. This was in no sense a free banking system, but a monopoly, as banks could only be organized under special charters obtained from the legislature of some one of the New England States. The circulation, which was not required to be secured by any deposit, frequently occasioned loss to the holders upon the failure of the banks issuing it.

In April, 1818, the legislature of New York passed

what became known as "the restraining law," which prohibited the business of discount and deposit banking to all except the few favored institutions, which had special charters from the State. This established an oppressive monopoly, but in the course of twenty years produced a reaction, and the well known free banking law of 1838 was passed. This law is the first embodiment of the plan for securing paper circulation by a public deposit of securities. Under this law the banking associations could be readily organized, they received their circulation from the comptroller of the State, and left on deposit with him an equal amount of the stocks of the United States or of the State of New York. This plan has been criticised; but it worked successfully, creating confidence and unfailing security. It is this plan which has been adopted in the present national banking system, solving the problem which perplexed the people of the United States during the first half of this century, and proving that national banking can be conducted on a safe basis, and free from all the characteristics of monopoly.

The banks of other States during this period were, for the most part, not regarded with favor outside of the neighborhoods in which they were located. Their bills circulated at a considerable and fluctuating discount, and frequently proved a total loss to the holders.

We quote some cotemporary evidence in regard to the character of the banking institutions of those days :

The governor of Indiana, referring to such banks, said in his message for 1853: "The speculator comes "to Indianapolis with a bundle of bank notes in one "hand and the stock in the other; in twenty-four "hours he is on the way to some distant point of the "Union to circulate what he denominates a legal currency authorized by the legislature of Indiana. He "has nominally located his bank in some remote part "of the State, difficult of access, where he knows no "banking facilities are required, and intends that his "notes shall go into the hands of persons who will "have no means of demanding their redemption."

The governor of Michigan, in his message for the same year, said: "At present we are giving charters "to the issues of banks about which we actually "know nothing, in whose management we have no "participation, and are thus literally paying a large "tribute for what generally in the end proves to be a "great curse."

Governor Ford, in a message to the legislature of New Jersey, said: "In many cases our banks, "although ostensibly located in New Jersey, have "their whole business operations conducted by brokers in other States. The facility with which they "may be organized and located, without reference to

“the wants of the community or the business of the place, is destructive to all the legitimate ends of banking.”

Upon this subject Hon. Hugh McCulloch, Secretary of the Treasury, wrote as follows in his report for 1868 :

“In May, 1863, when the National Currency Bureau was established in Washington, some 1,500 banks organized under State laws, furnished the people of the United States with a bank note currency. In some of the States, banks were compelled to protect—partially at least—the holders of their notes against loss, by deposits of securities with the proper authorities. In other States, the capital of the banks (that capital being wholly under the control of their managers) was the only security for the redemption of their notes. In some States there was no limit to the amount of notes that might be issued, if secured according to the requirements of their statutes, nor any necessary relation of circulation to capital. In others, while notes could be issued only in certain proportions to capital, there was no restriction upon the number of banks that might be organized. The notes of a few banks, being payable or redeemable at commercial centers, were current in most of the States, while the notes of other banks (perhaps just as solvent) were uncurrent beyond the limits of the States by whose

“authority they were issued. How valueless were
“the notes of many of the State banks is still keenly
“remembered by the thousands who suffered by
“their insolvency. The direct losses sustained by
“the people by an unsecured bank note circulation,
“and the indirect losses to the country, resulting
“from the deranged exchanges, caused by a local
“currency constantly subject to the manipulations of
“money-changers, and from the utter unsuitableness
“of such a currency to the circumstances of the
“country, can be counted by millions. It is only
“necessary to compare the circulation of the State
“banks with that furnished by the national banks,
“to vindicate the superiority of the present system.
“Under the national banking system, the govern-
“ment, which authorizes the issue of bank notes,
“and compels the people to receive them as money,
“assumes its just responsibility and guarantees their
“payment. This is the feature which especially dis-
“tinguishes it from others and gives to it its greatest
“value.”

WHY THE PRESENT SYSTEM IS NOT OPEN TO THE
OBJECTIONS URGED AGAINST THE
OLD NATIONAL BANKS.

The opposition to the old national banks was composed of divers elements.

There were first, the theorists, followers of Thomas

4 Paine and Thomas Jefferson, who opposed all incorporated banks of every description. Disciples of Rousseau, and sympathizers with the revolutionists of France, they looked upon society as a commune, and the operation of aggregated capitals as violations of the natural rights of man. Their views were obsolete and vague, and often destructive, but their expressions were strenuous and untiring. Their successors to-day are the communists and internationals, and a few college professors and men of brilliant but erratic minds. It is almost time wasted to reason with them, for their test of prosperity is not the test adopted by the majority of mankind. According to their reasoning, a savage community, in which all goods are held in common, and all members thereof starve and freeze equally, is more truly happy and enviable than that state, in which the provident and industrious man may enjoy the comforts of civilization, while his idle and dissolute neighbor goes cold and hungry. Any law by which ingenuity is encouraged to augment the rewards of labor, any scheme by which men combine their resources and economize their time, is a violation of natural right, and for the same reason that they oppose national banks, they burn the reaping-machines of the prosperous farmer, and would, if they could, force him to divide his savings with them.

This element, however, though formidable enough,

has never been by itself successful in this country.

The second element was made up of those jealous guardians of freedom, who saw danger in the concentration of power, and preferred to protect the State from a threatened oligarchy, even though they deprived themselves and their neighbors of a useful institution. There were doubtless many honest, practical men who so regarded the first and second banks of the United States. They were unquestionably monopolies, operated by a few men for the especial profit of a very limited number of citizens. It might have been unsafe to trust so much to the wisdom and patriotism of a board of directors. This became the prevailing sentiment of the people. The Democratic party adopted it, and carried the elections by large majorities.

But the present national banking system is so essentially different from the old in its organization and operations that the same reasoning will not apply to it.

The present system is free to all. Any five citizens having the necessary capital and character can organize a national bank. If the possession of capital, which any man can acquire by labor, or the possession of character, which any one can acquire by living an honest and sober life, constitutes a monopoly, a

national bank thus organized is a monopoly, otherwise not.

The following is from the Democratic platform of 1852 :

“That Congress has no power to charter a national bank ; that we believe such an institution one of
“deadly hostility to the best interests of the country, dangerous to our republican institutions and
“the liberties of the people, and calculated to place
“the business of the country within the control of a
“concentrated money power, and above the laws and
“will of the people.”

Here is expressed the full ground of Democratic opposition to a national bank. There was much reason in this opposition. The only national bank which had been thought of at that time was capable of fostering an oligarchical money power, if its managers were so disposed. The second United States bank did cause financial disaster by contracting discounts, as it is charged, for the purpose of teaching President Jackson its power. But the present national banking law effectually disarms this opposition. What might be accomplished by a dozen directors, meeting in a bank in Philadelphia, could never be undertaken by fifteen thousand directors, scattered through the whole country. Combination for the accomplishment of an unlawful or unpatriotic object is impossible. Anything dangerous to repub-

lican institutions or to the liberties of the people, will not emanate from the directors of national banks who are too numerous to form a conspiracy, and who are completely identified with every class and variety of business interests. Let any one in any community inquire who are the directors of the national banks there established. It will be found that they are the merchants, the manufacturers, the farmers, on whose integrity, energy and skill, rests the business prosperity of their neighborhoods. They are chosen as directors, not generally on account of the large number of bank shares which they own, but on account of their business ability. They are appointed to a considerable extent as the trustees of the property of others, not as managers of their own. It is safe to say that the large majority of the directors of national banks have much greater personal interests outside of the banks than in them, and that they would be the last persons to engage in a conspiracy to ruin the business of the country, even if they could see that thereby the banks would secure large profits. It therefore may be clearly seen that the old Democratic argument against a national bank is totally inapplicable to the present system.

The national bank law especially, guards against the concentration of the direction of the banks in the hands of a few men. It provides that three-fourths of the directors of each bank must have

resided in the State, Territory or District, where the bank is located at least one year previous to their election to such office, and must remain residents while they remain directors.

The power of Congress to charter a national bank has been emphatically asserted by the Supreme Court of the United States, whenever that question has been brought before that tribunal.

Chief Justice Marshall concluded an elaborate opinion in the case of *McCulloch v. The State of Maryland* in 1819, in the following language :

“After the most deliberate consideration it is the
“unanimous and decided opinion of this court, that
“the act to incorporate the Bank of the United
“States is a law made in pursuance of the Constitu-
“tion, and is a part of the supreme law of the
“land.”

This decision was repeated in 1824, in the case of *Osborn v. The Bank of the United States*, and no conflicting opinion has ever been given.

In *Farmers & Mechanics' National Bank v. Dearing*, Justice Swayne, in giving the opinion of the court, says :

“The constitutionality of the act of 1864 (the
“present national bank act) is not questioned. It
“rests on the same principle as the act creating the
“second Bank of the United States. The national
“banks organized under this act are instruments de-

“signed to aid the government in the administration
“of an important branch of the public service. They
“are means appropriate to that end. Of the degree
“of the necessity which existed for creating them,
“Congress is the sole judge.”

It therefore appears that the Democratic opposition to a national bank was not founded in law, but in expediency; therefore, having shown that it is not, and cannot be made to protect a monopoly, we have but to show that it is useful and economical to the nation, to secure for it the support of all right-minded citizens.

The third element of opposition to the old national banks was composed of the stockholders of the State banks. As these were clearly actuated by motives of self-interest, it is useless to reason with them. Like the communists, they must be met and vanquished by the earnest, patriotic people of the country, at the polls, whenever they make their self-interest a political issue.

It will be shown, further on, how immensely the country has gained by substituting the national banks for the old State banks, and what a great tax the business men of the United States would impose upon themselves by returning once more to the currencies and exchanges in use before the war.

THE STATE BANKS AND THE NATIONAL BANKS COMPARED.

The national bank act imposed a tax of ten per cent. upon the notes of State banks, and thus drove them out of circulation. It is now proposed to repeal this provision, and to allow the notes of State banks once more to come into circulation.

Hon. Robert B. Vance, of North Carolina, introduced a bill into the House of Representatives last year, for this purpose, and advocated it in a long speech, delivered May 1, 1878. Mr. Vance's attack upon the national banks is mainly a falsification of figures, and a misstatement of facts, which the slightest examination will serve to correct. It is not worthy attention in this regard. But it is interesting to note the reasons which he gives, why the State bank circulation should be revived, and the reasons why national banks are not suited to the business needs of North Carolina. He quotes from the *Raleigh Observer* of September 9, 1877, in reference to this State.

"We now call the attention of our readers to the
"loss of currency our State, as a whole, sustains by
"having this system instead of that in which the
"basis of the banks shall be gold and silver instead
"of paper.

“There are fifteen national banks in the State, with an aggregate capital of \$2,556,000.

“The aggregate bonds deposited in Washington to secure circulation are \$1,606,100, which cost probably at least \$1,750,000.

“The total currency received in exchange for all this money is only, say, \$1,450,000; so that the State has lost, say, \$300,000 in currency by the establishment of these banks.

“Now, supposing these bonds were exchanged for gold, as they could be easily, and supposing that the banks could issue \$3 in notes for \$1 in specie in the vaults, as was considered safe under the old system, then they could lend to our people, if good security should be offered, as much as, say, \$4,500,000.

“We have heretofore shown with regard to the national banking system, that it is liable to several insuperable objections, as applicable to communities like our own, which have little accumulated capital. These objections in substance are:

“First. That as the basis of the banks is United States bonds, and as those bonds must be bought in a distant market, the money sent away to buy the bonds is more than the currency brought back. We showed, for example, that Raleigh, with \$600,000 banking capital, had sent out of the State \$120,000 more currency than the banks were able to

“issue, and that Raleigh had lost, by such establishment of banks, that amount of money.

“Second. That, this being the case, the banks, in order to pay necessary expenses of offices, rents, taxes, &c., must charge high rate of interest.

“We showed that if the banks were founded on gold and silver, instead of United States bonds, they could issue two or three times as much as they do now, and could therefore charge one-half or one-third the rate of interest.

“Third. It follows that the much-talked of ‘new distribution of currency,’ ‘withdrawing currency’ from New England, New York, &c., so as to allow the West and the South to establish new banks, modern ‘free banking’ as it is called, are delusive mockeries, because, in order to avail themselves of the privilege, the West and South must send to those places, for purchase of bonds, more currency than they obtain. The West and the South have been deluded by the smart capitalists of the North and Northeast, and the members of Congress, whom they control, into the belief that they were gaining something, when in reality they were losing enormously.

“The result of this oppressive system is that currency is taken from the poor communities, and piled up on the rich; that money cannot be had where it is needed; that all industry and enterprise

“are stifled ; that debtors are at the mercy of creditors ; that often money cannot be borrowed in sections of the country where it is wanted, at even the most enormous rates of interest, and that prudent men are deterred from business enterprises, because at certain seasons, even when no panic is existing, they cannot be sure of obtaining bank accommodations at any price.”

Mr. Vance then adds :

“These national banks are not adapted to an agricultural locality, and do not afford the monetary conveniences which the people in these localities demand.”

This is a fair statement of the case from the State bank stand-point, and the essence of the whole argument is, that the national banks are not allowed to issue a sufficient amount of circulation in proportion to their capital. The State banks would issue two or three times as much. An agricultural community do not care about the security of the bills which they receive, so long as there are plenty of them.

— This state of mind may prevail in any locality, provided that the nature of banking is but little understood there, and a superstitious reverence exists for anything bearing the form and superscription of a bank bill. But every intelligent community knows that the amount of money required by them is in

proportion to the corn, or cotton, or merchandise which they have to exchange, and that in a free country, where money is abundant and of uniform value, it will naturally flow to communities in proportion to their needs. Every intelligent community also knows that a banker who issues circulation greatly in excess of his capital is untrustworthy, and will sooner or later fail to pay his notes. Such community will prefer to go without money rather than suffer the certain loss which will ensue from accepting such notes. In fact, Mr. Vance and the *Raleigh Observer* do the people of North Carolina injustice in representing that they are willing to receive, as money, bank notes issued greatly in excess of the capital of the banks. Tables contained in the Comptroller's Report for 1876, show the capital and circulation of the banks of all the States in each year from 1834 to 1861, and this table shows that in North Carolina the circulation rarely exceeded the capital, and was for the most part not greater than ninety per cent. of the same. The statistics of all the banks of the country show that the circulation never equalled the capital stock, and those years in which these two amounts came nearest together were marked by panic and financial ruin.

It may well be supposed that some parts of the United States desire a larger banking capital and a lower rate of interest. North Carolina has less than

one-half the banking capital which she had in 1861. But lack of banking capital is not the same thing as lack of note circulation. Bank notes can only safely follow banking capital, and until North Carolina accumulates or attracts capital, her rate of interest will not be lower or her note circulation greater.

This case of North Carolina is an extreme case, but it is not best to desert sound principles and despise the lessons of experience in the attempt to relieve present distress. The national banking system will yet do for North Carolina and the other Southern States, what it has already done for those in the West and Northwest. It has furnished a safe and economical means for the transfer of capital thither. By its agency the profits of agriculture have been more speedily and largely realized, and mining and manufacturing have been effectually encouraged.

The figures sufficiently prove this. Comparing the operations of national banks with the operations of State banks, prior to 1861, we find the cost of exchange greatly reduced, and the discount upon circulation annihilated. Prior to 1861, the cost of bank drafts upon New York in Chicago, varied from one-half of one per cent. to two and one-half per cent. in ordinary times, and in other western cities it was often still higher. In periods

of financial uneasiness, New York exchange sometimes sold in Chicago at twenty-five per cent. premium. Western bills in New York commonly sold at a great discount. This was an immense tax upon production, and the banks made enormous profits. But under the national banking system these charges have nearly disappeared. Remittances can be made from any part of this country to any other, at the mere cost of expressage upon the currency, and bank exchange never rises above this charge. Since national bank notes are at par all over the Union, the drawer of exchange has but to ship his currency to the point on which he draws, and the cost of transportation is all the expense attending the transaction.

There never was a time in the history of the country when the notes of State banks were at par in general trade. Even the notes of the best banks were at a discount, away from home. The notes of the New England banks, redeemable at the Suffolk Bank, were never at a less discount than one-eighth of one per cent. in New York city. The discount at the same place on notes of the best banks in the Southern and Western States, was commonly from one-half of one per cent. to two and one-half per cent., while the notes of smaller banks, esteemed unquestioned in their own locations, were quoted at from five to ten per cent. below par. Even the notes of the New

York State banks, secured by deposit of bonds at Albany under the well known free banking law, were regularly at one-quarter of one per cent. discount at their banks of redemption in New York city.

Let any one attempt to estimate the saving which has annually accrued to the trade of the country from the two sources above indicated—the reduction in cost of exchange and the disappearance of the discount upon notes—since the establishment of the national banking system. It amounts to many millions of dollars, a sum vastly greater than the interest upon bonds of the banks held by government to secure their circulation, greater than the sum of the dividends paid by national banks to their stockholders. Yes, the people of the United States are each year receiving in these two items a greater profit from the national banks, than the banks pay to their shareholders.

What sections does this saving in cost of exchange and discount particularly benefit? Plainly those sections in which exchange charges were heaviest, and against whose bank notes discount was greatest—in other words, the West and South. Those sections in which banking capital is limited, and rates of interest are naturally high, receive an immense advantage from the national banks. They are afforded a cheap and safe communication with the monetary centers of the country, through which

capital may come to develop their resources. Unless it can be shown that trade is an evil thing, and that that section of our country which erects barriers against commerce is most happy and prosperous, every reasoning man must admit that in substituting the national banks for the State banks, Congress has conferred an immense benefit upon the people. Abolishing the national bank currency and returning to the old State bank notes would be like breaking the mowing-machine and taking up the scythe, like throwing away the scythe and falling back to the sickle.

Some of the other advantages of the national banks over the State banks which accrue to the people may be briefly enumerated.

The national bank notes are not easily counterfeited. Counterfeits of the national bank notes can only be prepared by the most skillful workmen. The notes of the old State banks were easily imitated. A counterfeit bank note detector was formerly necessary in every store and office, and much time was spent in examining and comparing bills. There was not a business man in the land who did not possess numerous specimens of bad bills which had been passed upon him. Now very few such bills can be put in circulation, and as an occupation the crime of counterfeiting does not pay.

The national banks are well-accredited business

agents in every part of the country. Their responsibility may be assumed, and they frequently serve individuals in doing small favors in unfamiliar localities which otherwise would cause expense and annoyance.

In comparison with the State banks, the national banks have proved their greater reliability and safety.

In the item of currency there has been absolutely no loss from national bank circulation.

The loss to the people from the worthless bills of broken banks before 1863, is estimated to have been *each year* five per cent. upon the amount of circulation outstanding.

In the item of deposits, it is estimated that the national banks have occasioned a loss of \$6,415,423, during the fifteen years in which the system has been in operation. During that time sixty-nine banks have failed, having an aggregate capital of \$16,015,100. Against these, claims have been proved amounting to \$23,398,709, of which there has been paid, or will probably be paid, all but the \$6,415,423 mentioned above. That is, less than three banks out of every hundred have failed, and these three have paid or will pay more than seventy per cent. of the claims of their creditors. Of the whole capital employed by the national banks, three per cent. only has been shown to be badly managed. Of the aver-

age amount of funds trusted by the people to the national banks during the fifteen years of their establishment, less than four per cent. has been shown to have been injudiciously invested, and of that four per cent. more than two-thirds has been or will be recovered, leaving a loss of about one per cent. of the average amount of deposits. To ascertain the actual risk which depositors in national banks run, we should have the aggregate instead of the average deposits. This sum it is impossible to arrive at. It would mount up into the thousand billions, and the real risk would be indicated by a figure carried back many places from the decimal point, and proving that a depositor in a national bank is less likely to lose his money than he is to be struck by lightning or to be dashed to pieces by a run-away horse.

There are no figures given by which an accurate estimate can be arrived at, of the losses to depositors of the old State banks. But that they were large and frequent, the memory of men of middle age now living will attest. It is said to be the exception, and not the rule, that the depositors of a broken State bank realized anything whatsoever.

The history of the last five years has shown great losses in all parts of the country from the failure of banks organized under charters from the several States. In the city of Chicago alone the loss to depositors in such institutions since 1873, has exceeded

\$6,000,000. In other words, the loss to the depositors in the Chicago banks doing business under special State charters in the past five years has nearly equalled the loss of all the depositors in all the national banks during the past fifteen years.

THE NATIONAL BANKS AND THE UNITED STATES
GOVERNMENT.

Chief-Justice Marshall, in *Osborn v. Bank of United States*, referring to the powers conferred by Congress upon the second Bank of the United States, says :

“It is an institution which is necessary and
“proper for carrying on the fiscal operations of the
“government. Can this instrument, on any rational
“calculation, effect its object, unless it is endowed
“with that faculty of lending and dealing in money
“which is conferred by its charter? If it can, if it
“is as competent to the purposes of government
“without, as with this faculty, there will be much
“difficulty in sustaining that essential part of its
“charter. If it cannot, then this faculty is necessary
“to the legitimate operations of government, and
“was constitutionally and rightfully engrafted on
“the institution.”

Justice Swayne, in *Farmers' & Mechanics' National Bank v. Dearing*, heretofore quoted, says :

"The national banks are designed to aid the government in the administration of an important branch of the public service, &c."

It is proper, therefore, to inquire what aid do the national banks render to the government, and is that aid worth what it costs?

The first and chief aid which the national banks render to the government is in maintaining its credit. In this respect they are like a well-arranged system of outlying forts to a citadel. While the forts remain secure, the citadel cannot be even attacked. Nothing but treachery from within can shake the credit of the United States government while the national banks continue in existence. The very life of the national banks depends upon the high credit of the United States government. In case of a war or of any call for extraordinary funds, the national banks will be obliged to furnish them.

It is a great advantage to any government to have a considerable number of its citizens of property directly interested in maintaining its credit.

The government has in the national banks customers for a large number of its bonds. Thus it has interested the main financial interests of the country in sustaining the price of its securities.

These considerations indicate one of the chief aids which the national banks have rendered to government. In the funding of the six-per-cent. war debt

into new bonds bearing four and four and one-half per cent. interest, a large annual saving has been effected. The annual interest charge is now \$32,405,904.48 less than it was in 1869, and the saving from interest charge of previous years since the war is still greater. How much of this is attributable to the national banks cannot be accurately determined, but it cannot be denied that they have been largely instrumental in accomplishing this result.

This funding process is still going on, and must go on for many years to come, if the government is to be economically administered. The national banks are now the agents through which the four-per-cent. popular loan is being placed, the subscriptions to which are being quietly reported at the treasury.

The people are securing a safe and readily converted investment and the government are making a yearly saving of two per cent. on the amount of the sales. The treasury reports show that as agents the national banks had been instrumental in placing in the hands of the people in 1866, more than eleven hundred millions of United States securities.

In addition to these valuable services, the national banks have redeemed and returned to the treasury mutilated legal tenders and seven-thirty coupons, and have received and disbursed from the revenues hundred of millions of public money free of expense to the government.

In return for these services, what does the government pay to the national banks? A small commission on the bonds sold,—not more than one-quarter of one per cent. But beyond this nothing, unless the privileges conferred in their charters may be accounted a payment.

True, the United States government pays interest on its bonds which the banks have deposited in the treasury for the redemption of their circulating notes. This is not a payment for services, but for money lent, and if the banks should be abolished and their currency retired, the government would be obliged to pay this interest to the holders of the bonds.

In return for the privileges conferred in their charters, the government imposes a tax of one per cent. per annum on the amount of currency issued by national banks, and in common with the State banks and private bankers, it taxes them one-half of one per cent. per annum upon their average deposits and upon their capital in excess of the amount invested in United States bonds. On account of these taxes, the national banks pay yearly to the government more than seven millions of dollars. The revenue from this source in 1876, was \$7,229,321.56; in 1877, \$6,998,926.79; in 1878, \$6,781,455.65.

It is proposed by certain unscrupulous politicians, careless of the welfare of the people, to cause the

retirement of the national bank notes, and to issue in their stead government notes, legal tender or otherwise. This subject will be considered further on, but it is worth while to say here, that the effort of the friends of a sound currency to answer this absurd proposition by showing that the national banks pay, in taxes to the government of the United States and to the local governments, nearly as much as they receive in interest upon their bonds, is but a limited and partial argument in defence of the national banking system. It is a comparison of two sets of figures which do not in any way depend upon each other. And whatever these figures say, the great advantages of the national banks to the people and government of the United States rest on other and far higher grounds.

For the sake of those who may be interested, however, those figures are here given.

Interest on bonds left with U. S.		
Treasurer to secure circulation,		
\$368,534,279 (currency value),		\$17,689,372
U. S. taxes paid by na-		
tional banks, . . .	\$6,902,573	
State taxes paid by na-		
tional banks, . . .	8,829,304	
Add for annual cost of		
printing new green-		
backs,	1,000,000	16,731,877
Difference,		\$957,495

It is obvious that if the government should commit the folly of substituting United States notes for the national bank notes in circulation, it would not thereby annihilate the capital of the national banks or drive it out of the country. That capital would, in all probability, continue to pay its State and local taxes as at present. No State is allowed to tax national banks at a higher rate than other banks, and consequently the item of State taxes mentioned above is not properly brought into the argument. It is also to be considered that so much of the tax upon deposits as is included in the above tax paid by national banks would still continue to be paid to the government after the bank notes were returned.

BANK NOTES LOST OR DESTROYED.

It is falsely asserted, by ignorant persons, that the national banks derive a profit from the loss or destruction of their notes in the course of business. This profit in reality accrues to the government. The government holds bonds to secure every dollar of circulation furnished to the banks, and before any bank can withdraw its bonds or realize upon them, it must return the notes so obtained, or in their places, if they have been lost or destroyed, a government legal tender note of like denomination. The govern-

ment, therefore, in receiving its legal tender for each bank note lost or destroyed, is the only gainer.

THE PROFITS OF STOCKHOLDERS IN NATIONAL BANKS.

It is proper to inquire in a consideration of the utility of national banks to the people of the United States, whether the stockholders of these banks receive a profit upon their investment in excess of the profit which men derive from similar investments in this and other countries.

If it appears that these investments do pay an extravagant profit, it would go to show that some extraordinary advantage has been conferred upon the banks by the government charters, which has not hitherto been indicated.

If on the other hand it is shown that the national banks derive a less profit upon their capital than banking commonly pays, we are warranted in concluding that the national banking system is more profitable to the people at large than to the stockholders of the banks, and that more privileges might be fairly given to the banks, and that perhaps taxation upon their business has been unnecessarily severe.

The principal English joint-stock banks doing business in London, which issue a part of the bank note currency of Great Britain, are good examples of

the profit which such investments are expected to pay to their stockholders, in a country where the current rate of interest is low. The *Economist* gives the following list of the dividends of these banks for 1876 and 1877.

	1876	1877.
	Per cent.	Per cent.
London and Westminster, . . .	14	14
London Joint Stock, . . .	15	15
Union,	15	15
City,	8	10
Alliance	7	6
Consolidated,	10	10

These are fair illustrations of what the banking capital of England pays to its shareholders. The bank of England itself has paid in recent years regular semi-annual dividends of from four and one-half to five per cent. upon its shares.

There is no means of ascertaining the dividends which were paid by the old State banks. It is well remembered, however, that the profits then were large and very satisfactory. Bankers, when they recall those days, speak of them occasionally as "the golden age" of banking. It is not presuming too much to conclude that bank dividends then were at least equal to those of the London banks.

The first bank of the United States paid regular dividends of from eight to ten per cent. per annum, and nearly every large bank of the country has been

in the habit of dividing earnings equal to or exceeding this figure. Each of the present national banks is required, by a special provision in the law, to carry ten per cent. of its earnings each year into a surplus fund, until this surplus amounts to twenty per cent. of its capital. The capital of the national banks on June 29, 1878, was \$470,393,366, and the surplus on the first of October, 1878, amounted to \$117,000,000, showing that the banks as a general thing have carried more than twenty per cent. of their capital to their surplus since their organization. The dividends for the year ending September 1, 1877, amounted to \$43,921,075, but the net earnings for the year were only \$34,866,990. This shows that the banks for this year drew on their surplus in excess of the twenty per cent. for a part of their dividends.

The dividends amount to 8.93 per cent. upon the capital, to 7.09 per cent. upon the capital and surplus together; but the earnings for the year were only 5.62 per cent. of the sum of the capital and surplus. For 1878, the earnings have been only 5.1 per cent. of capital and surplus. As the law requires the banks to carry this surplus, the latter figure is the proper one upon which to base our opinion. And surely we are warranted in saying that five per cent. or even five and one-half per cent. is a very small profit compared with that which is commonly obtained in this line of business.

It may well be doubted whether any other description of business in which capital chooses to take risks, pays so small a percentage of profit. To be sure these are hard times, and banking suffers in common with general trade. The earnings of the national banks in 1870 were nearly eleven per cent. upon their capital and surplus, and in some previous years they were probably greater. But this only proves that the national banks have been well managed, and in prosperous times have husbanded their resources against a time of adversity. During the year ending September 1, 1877, the banks charged off out of their surplus for bad debts \$19,933,587.99 ; in 1878, \$24,466,799.89. It is re-assuring to know that their surplus is still intact above the twenty per cent.

In examining these figures we should not fail to remark the minuteness with which they enable us to comprehend the exact condition of the banks of the country. These figures are compiled from the statements of each bank made by the officers and directors under oath, and in most cases verified by official examination. No such knowledge of the financial institutions of the country was ever obtainable before the establishment of the national banking system, and in no small degree does this knowledge serve to secure credit, and produce confidence in reviving business and a return of prosperous trade.

No comment is necessary upon the foregoing figures in connection with those quoted regarding foreign banking. They speak for themselves. Plainly the national bank shareholders are not earning enormous profits, by the use of their franchises. Plainly the profits are not such as to invite new capital to engage largely in this business. Plainly there is more need of anxiety, lest capital be induced to withdraw from banking under the national banking system, to seek some more remunerative investment, than that it should be further vexed by taxation and restrictions.

WHAT CLASS OF PERSONS ARE STOCKHOLDERS IN
NATIONAL BANKS.

The stock is distributed quite generally among people of moderate means who need for their support regular dividends upon the small amounts of stock which represent their accumulated earnings. In the comptroller's report for 1877 are carefully prepared figures by which it appears that the number of shareholders of the national banks was then 208,486, and that the average amount of stock held by each shareholder was but about \$3,100. More than one-half of these shareholders held but ten shares or less each—that is, not more than \$1,000, while the entire number holding more than \$10,000 each was but

10,851, or only about one-twentieth part of the whole, and of these but 767 held more than \$50,000 each.

The number of national bank shares held in foreign countries is less than one per cent. of the whole, and more than one-half of these are of banks in New York. But 4,650 shares are owned in England, and the remainder belonging to foreigners is scattered among all the countries of the world. The national banks are not therefore open to the charge of being directed by foreign influence.

WHAT PERSONS OTHER THAN STOCKHOLDERS DERIVE INCOME FROM NATIONAL BANKS.

In carrying on the national banks, there are of course a large number of officers and clerks employed. These are not paid extravagant salaries, indeed it has never been charged that the employees of banks are overpaid. Banking is a business in which steady employment and regular pay is expected, and consequently banks can always secure the best clerical and administrative talent at the lowest prices. Success in banking depends upon good judgment, system, accuracy and integrity. A good bank man must have all those qualities, and it is not too much to say that with these he is pretty sure to prove a good citizen.

Bank men have been detected in stealing the funds intrusted to them. It would be contrary to human experience that all of the multitude thus trusted should resist temptation. But with the large number of statements and examinations made compulsory by the national bank law, it is almost impossible that such speculation should escape detection. The national bank law also provides a special and heavy penalty for such criminals,—not less than five years' imprisonment.

The very fact that a defalcation on the part of a bank man produces such universal outcry and denunciation, proves that as a class they are men of high character, and possessing universal respect. The fall of a bank officer is like that of a clergyman, an occasion of surprise and mortification to the whole community.

The work necessary in the details of banking is confining, laborious, and frequently exhausting. There is no class of men in the country who earn their living by greater industry and application than those employed in banks, and the influence of the example of these men upon their fellow-citizens is almost without exception in favor of economy, sobriety, diligence, and the best interests of society.

SHALL GOVERNMENT NOTES BE SUBSTITUTED FOR
NATIONAL BANK NOTES?

It is proposed by certain politicians to retire the notes of the national banks from circulation, and in their place to issue an equal amount of government notes.

Mr. Thomas Ewing, of Ohio, introduced into the House of Representatives, last winter, a bill to accomplish this object. This bill was referred to the Committee on Banking and Currency. It was reported favorably to the House by this committee, the vote in the committee upon recommending its passage standing 7 to 2 in its favor.

The bill provides for the issue of Treasury notes of various denominations, equal in amount to the national bank notes outstanding. These notes shall be in the following form :

"The United States of America are indebted to bearer in the sum of —— dollars."

"They shall be receivable in payment of all taxes, customs, excises, debts and demands of every kind due to the United States, and of all claims and demands against the United States, except for obligations made payable in coin or lawful money by existing laws, and shall be received by the Secretary of the Treasury, at par, for four per centum bonds of the United States, &c."

The bill further provides for getting these notes into, and the national bank notes out of circulation.

It is not necessary that we discuss the machinery by which this purpose is to be accomplished. But it is proper that this proposition, so strongly favored by this important committee, should receive the careful attention of the American people and should be thoroughly discussed by them.

The same proposition, in substance, has since been adopted by the Democratic party in many State conventions, and stands embodied in many of the recent party platforms. If this has been done ill-advisedly, it is time that all patriotic Democrats and all patriotic American citizens should make themselves fully acquainted with the merits of this question, lest they be found aiding in effecting a great change in the financial administration of the nation, and thereby, perhaps, paving the way towards national disaster and bankruptcy.

In the first place it should be noted that the Treasury notes to be issued under this bill are not promises to pay. There is no provision for their redemption, and it is not expected that they will be redeemed at any time or in anything. They are to all intents and purposes "fiat" money, except that they are not made a legal tender in the payment of private debts.

This very important exception will make it utterly

impossible to put such notes into the place in commercial transactions now filled by the notes of the national banks. It is true that the national bank notes are not a legal tender, but they are convertible on demand into legal tenders and thus become an equivalent.

The proposed notes are to be receivable in payment of all dues to the United States and of subscriptions to four per cent. loans. The annual dues to the government amount to \$270,000,000. They are to be payable for all claims against the United States, except those made payable in coin. The annual disbursements of the government, exclusive of coin payments, are \$170,000,000.

Saying that in process of time the United States Treasury could force the \$320,000,000 of national bank notes into retirement and give the people these new Treasury notes, it is obvious that the amount would be very greatly in excess of the use for them. For the payment of annual revenue \$50,000,000 of notes in circulation would be ample. In consequence, these new notes would be redundant and would depreciate. They would be funded into four per cent. bonds, and thus would depreciate the price of these bonds and of other government securities.

This supposition is not mere imagination and abstract reasoning; it is founded on a previous experience of our government. An issue of \$60,000,000

Treasury notes was authorized during the war of 1812, receivable in all payments to the United States. But \$36,680,794 of these notes were ever issued. Those of these notes over \$100 in amount bore interest at the rate of one and one half cent a day on every \$100. Yet these notes were depreciated from eight to ten per cent. below the State bank notes then in circulation.

There is no reason for supposing that Mr. Ewing's proposed Treasury notes would have any better fate, but we may reasonably say that they would fare worse, for they would be more redundant, and the holders would have no hope of their redemption in any form of money.

Does any one suppose that the people of the United States would tolerate, in time of peace, the existence of depreciated Treasury notes? If the presence of a few trade dollars, worth only ninety cents in lawful money, raises a cry of disgust throughout the land, what might we expect to hear if \$300,000,000 of irredeemable depreciated paper dollars were poured forth upon us?

But many of the advocates of this substitution for national bank notes propose to make the new Treasury notes legal tender in payment of private debts.

The possibility of doing this by an act of legislation is something of which Congressmen would do

well to satisfy themselves thoroughly before making the attempt. For, if Congress makes this attempt and fails, the trade of this country will be thrown into a state of serious and alarming complication.

The Supreme Court of the United States in its many decisions upon the constitutionality of the acts of Congress, has never uttered a syllable which would give any one reason to believe that Congress has power in time of peace to authorize the issue of legal tender paper money.

In the celebrated overruled case, *Hepburn v. Griswold*, five out of eight judges concurred in the opinion that Congress had no power, under any circumstances, to make its notes legal tenders for existing contracts: and in the overruling cases, *Knox v. Lee*, and *Parker v. Davis*, the majority of the court, five to four, only reversed the former decision upon the ground of overwhelming necessity.

Justice Strong, who delivered the opinion of the majority in those well known cases, said:

“It is not to be denied that acts may be adapted to the exercise of lawful power and appropriate to it in seasons of exigency which would be inappropriate at other times.”

He then pictures in detail the exigencies to meet which the greenbacks were issued.

Judge Bradley, in his concurring opinion, after enlarging upon the necessity imposed upon the govern-

ment of raising money for the conduct of the war, says of the legal tenders :

“No one supposes that these government certificates are never to be paid—that the day of specie payment is never to return.” “Their ultimate destiny is to be paid.”

In the face of these and many other confirmatory utterances of the Supreme Court, Congress would do a foolhardy thing, if it should order the issue of more legal tenders without first ascertaining, to the satisfaction of the whole people, that its action would be sustained by the Supreme Court.

An issue of new legal tenders to take the place of the national bank notes, without this satisfactory assurance of the opinion of the Supreme Court thereon, would introduce an element of great uncertainty into the transactions of daily life. There would be no patriotic public sentiment, as during the war, to demand that the new government notes should be generally received. Indeed, in many quarters they would be refused pending the decision of the Supreme Court, as the opinion prevails generally that their legal tender quality would be unconstitutional. They would consequently depreciate, and would remain a serious inconvenience in business affairs.

But let us assume, for the sake of argument, that a new issue of legal tenders can be constitutionally

made, and that they can be used in retiring the notes of the national banks: what effect would this change create upon the business interest of the country?

It would cause, first, a disastrous contraction of loans, and then an unnatural rise in prices.

The contraction of loans would be occasioned by the necessity laid upon the banks of providing funds to redeem and retire their notes. The banks would be obliged to largely reduce their discounts. The whole discounts of the national banks are \$900,000,000. These are mainly in the form of short loans, running thirty, sixty, or ninety days. These are investments which banks make with their fluctuating funds. These are the loans made to merchants, farmers, and manufacturers, for the legitimate operations of trade. When banks expect calls for funds from depositors or note-holders, they contract their discounts. That is what they would do, if called upon by the government to redeem their notes. They would reduce their lines of discount \$300,000,000 or thereabouts, and the merchants, farmers, and manufacturers would be obliged to seek elsewhere to this extent for the money needed to conduct their business.

It cannot be assumed that the new Treasury notes would be at hand to be loaned to the business men whose discounts at the bank had been curtailed. These Treasury notes would be in the hands of the

people, where the national bank notes now are employed in settling balances and effecting exchanges. They would not flow to the banks as deposits. The banks would not obtain them by selling bonds, and thus be prepared to keep up their discounts. Even if the banks desired to sell bonds, they would not be able to dispose of the large amount of \$300,000,000 without greatly depressing the market, and this consideration would make them cautious and slow in offering to sell.

The first consequence of the substitution of new legal tenders would be a general contraction of short loans by the banks, and this would unquestionably produce commercial disaster and frequent bankruptcies.

The second consequence would be an unnatural rise in prices. To explain this, it will be necessary to discuss briefly

THE FUNDAMENTAL DIFFERENCE BETWEEN BANK
NOTES AND GOVERNMENT LEGAL TENDER
PAPER MONEY.

This is a subject upon which there seems to be a strange lack of apprehension in the minds of many.

Is it so difficult to understand that a bank note issued on the application of a merchant, to be used in trade, and a government note forced upon a govern-

ment creditor and endowed with legal tender qualities, that his creditors may be in turn forced to accept it, are radically different instruments of effecting exchanges? The one is the expression of free will, the other of compulsion. The one goes only where it is invited and made welcome, the other is quartered upon the people. The one is a business agent dealing only with those who care to trade, the other is a government officer making requisitions from those who do not give up their property willingly.

This essential difference in these two instruments of traffic can never be obliterated. It may be temporarily forgotten in the course of long acquaintance, but it asserts itself every now and then and causes them to assume entirely different features in the transactions of commerce. The bank note goes out when it is wanted and effects exchanges, and when it is no longer needed it returns to its maker and is redeemed and retired. The government note goes out whether it is wanted or not, and stays out irrespective of the needs of the people.

Alexander Hamilton, in his report as Secretary of the Treasury, December 13, 1790, says :

“Among other material differences between a “paper currency issued by the mere authority of “government, and one issued by a bank, payable in “coin, is this : that in the first case there is no

“standard to which an appeal can be made as to
“the quantity which will only satisfy or which will
“surcharge the circulation ; in the last, that standard
“results from the demand. If more be issued than
“is necessary it will return upon the bank. Its emis-
“sions, as elsewhere intimated, must always be in
“a compound ratio to the fund and the demand,
“whence it is evident there is a limitation in the
“nature of the thing, while the discretion of the
“government is the only measure of the extent of
“the emissions by its own authority.”

This is unalterable truth. The best-disposed government has no means at its command for ascertaining the quantity of currency which the people require in their ever-varying transactions. If it should make the most sincere efforts to adapt the currency to the needs of the nation it could not do so. The amount of currency needed by any community or nation fluctuates constantly. In consequence of the inability of a government to adapt its currency to these fluctuations the most grave consequences result. It is a well-established fact that a redundant currency causes a rise of prices. In dull times a government currency becomes redundant and prices necessarily rise. This probably, produces unnatural activity and the amount of currency appears to be too small. This causes a popular complaint and call for more currency. If government yields to

this demand and issues more currency, the same process is repeated. Prices again rise and more currency is again called for, and so on the ill-regulated machine goes, until financial ruin brings it to a full stop. A contraction of the government paper currency is also necessarily an unnatural process. It cannot be adjusted to the requirements of trade. It depresses prices artificially and creates distress and disaster.

Only two courses are open to a government with a paper currency outstanding: depreciation and repudiation, or redemption. All government paper currencies thus far, except our own, have suffered or are in a fair way to suffer the former fate. The United States now, through a favoring balance of trade and the persistence of Secretary Sherman, has given the world an example of redemption.

But if a new issue of Treasury notes should be ordered by Congress this redemption could never be maintained. We have made our present resumption of specie payments by virtue of heroic treatment on the part of our financial ministers. It was the only treatment which could have saved us. But we would never have the courage and endurance to submit to the same again.

If the new issue of the Treasury notes proposed by Mr. Ewing is effected, the rise of prices will be sure to take place, and the road to resumption will be ten

times more difficult than it has been during the past few years of our national history.

To understand more fully the difficulty under which government labors, in endeavoring to adapt its currency to the needs of the business transactions of the country, one has but to think of Congress, or of the Banking and Currency Committee of the House of Representatives, in comparison with the numerous boards of bank directors which meet in all the important communities to give special thought and attention to the financial needs of those communities. Who knows how much currency the customers of any particular bank require in business so well as the directors of that bank? What means have the Banking and Currency Committee for knowing anything at all of this subject? The aggregate needs of the customers of all the banks of the country are the aggregate needs of the people of the country. The directors of each bank know this accurately, as to their own bank, and take such means as are in their power to supply these needs. The aggregate efforts of all the banks, if they are allowed to act naturally, accomplish the aggregate result perfectly. It would be as reasonable for the committee of Congress having charge of the United States census to set down the aggregate population of the country from their unaided estimates, and publish it as a complete and satisfactory return, as

for the Banking and Currency Committee, or for Congress itself, or for any officer or bureau of government, to attempt the impossible task of providing the daily fluctuating amount of currency necessary for use in the business of this country. Congress may most appropriately and wisely enact laws that proper security shall be given for issues of currency, that banks shall make frequent report of their condition and submit to rigid examinations. In doing this they are guarding the interests of the people rightly, and doing all that it is possible for them to do in this direction, in justice to the people whose interests they are elected to protect.

If this nation should be compelled for any cause to retire the currency provided by national banking system, it should not hesitate to return to the old State bank currency, rather than adopt any form of government paper money. The State bank currency was a rude instrument, but it had its origin in the nature of things, and was adapted to the purposes of trade. But irredeemable government legal tenders will ruin any people who venture to use them as a permanent means of affecting exchanges.

In support of this position we might pile up authoritative statements of eminent men, and we might fill pages with illustrations from the historical experiences of our own and other nations. The issue of government legal tenders can only be justified when

a nation is involved in a desperate struggle for life, when it must make an immense exertion to save itself, and cannot stop to count the cost. Such a step on the part of a nation can only be atoned for by years of expensive and heroic suffering. The United States took that dangerous step, and thereby preserved its national existence. It has paid the price of its extreme effort, and brought itself back to the blessing of a natural and healthy currency. Surely the people will not throw away the results of their self-sacrifice, and allow themselves to commit, in cold blood, an act of wasteful destruction of prosperity, which was only justifiable in the dire and critical necessities of a life and death contest.

It cannot be denied that a certain amount of government paper money may be kept in circulation along side of, or as the basis of national bank notes. If government notes are redeemed and redeemable in specie, in all probability a certain amount of them will be willingly received by the people as a part of the currency of the country. Their redeemability into legal tender coin—the voluntary money of the world—would do away with the objectionable element of force in their legal tender quality. It is possible that a certain amount of such government notes might be used for the purposes of trade, and never be presented at the Treasury for redemption. What this certain amount is can only be determined

by experience, and if specie payments are maintained, and greenbacks are reissued from the Treasury, we shall be able in a few years to determine it by an approximate estimate.

This amount of government notes which might be counted on to continue in circulation at all times would be analogous in its nature to that portion of the Bank of England's notes which the Bank is authorized by its charter to issue without providing specie for its redemption. This amount is fixed by the Bank charter of 1844 at £14,000,000. It was assumed that under no circumstances would the Bank be called upon to redeem any portion of this issue, that no contingency could arise in which the outstanding circulation would fall below this amount.

Experience thus far has proved that that estimate was not too high. The Bank of England has never been called upon to redeem any part of this £14,000,000 of its circulation.

It is possible that a similar amount of our government notes might be kept in circulation without prejudice to the commercial interests of this country and so guarded by law that they would never be presented for redemption.

CAN GOVERNMENT NOTES REDEEMABLE ON DEMAND
BE USED AS CURRENCY.

One of the forms in which the question is presented of substituting government notes for national bank notes in circulation is the following :

“If the government redeems its notes in coin on demand is there any valid objection to its thus supplying all the currency of the country ?”

To this there is not the same objection as in cases previously considered. So long as the government maintained a large reserve of specie to command credit for its notes, and promptly redeemed such notes as were presented at the various sub-treasuries, its notes would serve the requirements of commerce. For this it would be necessary for the government to establish a banking bureau, to provide a special reserve, and in fact to inaugurate a department similar to the issue department of the Bank of England. Having determined the amount of currency which under all circumstances would continue in circulation, it would be necessary to provide, in the fund for redemption, a coin dollar for every dollar of excess of circulation outstanding. Nothing less than this would give the government notes undoubted credit and prevent runs, exhaustion, and suspension.

Would it pay the government to embark in this

business? Would not the expense more than absorb the profit? Is it safe to trust the maintenance of such a reserve to politicians, appointed to office from other considerations than their business experience and conservative characters? Would Congress maintain such a reserve fund without wavering? An exciting debate upon this subject in Congress might, at any time, excite a run upon the treasury and inaugurate a commercial crisis. Would any reasoning man be willing to submit the business of the country to this strain?

There is still another consideration in regard to this proposition. Governments have never deemed it wise to base a paper currency upon their sole credit. It has been found much the better policy to throw the first responsibility for the redemption of paper currency upon the capital of citizens associated in a corporate capacity. A government thus brings in individual capitalists to its support. The government provides the rules and regulations under which this capital shall be administered, and, so to speak, intrenches itself behind it. If the Bank of England should fail to redeem its notes through defalcation, panic or disaster, the government of England would still retain its credit. It would call to its aid new capital and remain unshaken. But what would be the consequences of the government of the United States undertaking to maintain a redeemable

paper circulation on its unaided credit, should it by any mischance fail to pay its notes upon presentation? It would unquestionably suffer immense injury in all its departments. The bankruptcy of banking institutions is a national calamity, but the bankruptcy of the United States Treasury would be a tenfold greater disaster and disgrace.

This, as we have said previously, is the great service which the national banks render to the United States government. They protect its credit, and by reason of this service, they pre-eminently are necessary and proper means of administering the powers delegated in the constitution. We might even go back of these words of the Supreme Court, and assume the strictest construction of the followers of Jefferson, and say that they are "indispensable" means to these ends.

THE NATIONAL BANKS WILL NOT COMBINE TO PROTECT THE NATIONAL BANKING SYSTEM.

Aside from their interest as patriotic citizens in the prosperity and unity of the nation, or as business men in the encouragement and prosperity of general trade, the stockholders, directors, and officers have no reasons to wish for the continuance of the national banking system.

The old banks were opposed to the national bank

act at the time of its passage. Its exactions are more rigid than have ever been imposed by government. The frequent examinations and the publicity which is given the affairs of the banks by the publication of statements made under oath, are annoying even to the most careful and conservative managers.

The privilege of issuing currency is not remunerative. The comptroller of the currency, in his report for the present year, has made a careful estimate, and has demonstrated that this profit is not more than two and a half per cent. upon the capital invested in the bonds deposited to secure the circulation. This does not pay for the trouble and vexation which it involves. The banks could undoubtedly invest this capital in a more remunerative manner.

That the bankers do not highly value the profit derived from the circulating notes is proved by the fact that the aggregate of circulation is decreasing. Since 1874 the aggregate circulation has decreased \$28,902,387. This is an undeniable test. If it were a profitable business operation to buy bonds and obtain circulating notes therefor the \$100,000,000 of capital of the national banks in excess of the bonds now deposited to secure circulation would be invested in that manner. The conclusion is unavoidable that in the present state of trade and taxation, the national banks have no reason to take trouble or incur expense to retain this privilege.

If the national bank act should be repealed or greatly changed to the disadvantage of the banks, the banks would willingly change to the old systems. They would thereby avoid for the most part, examination and public statements, would return to the old profitable rates of exchange, and would be comparatively free to make great and indefinite gains, taking greater risks in many cases and exposing the business communities to greater losses.

CONCLUSION.

If the national banking system is preserved, it must be defended by the people.

It has been shown how it was established for the people, through the patriotic efforts of Lincoln and Chase, and their cotemporaries. It has answered the ends proposed for it by these men of wise designs and pure motives. It has furnished the people with a safe and uniform currency. It has facilitated all the operations of trade. It has greatly reduced the losses of depositors, and rendered the transfer of capital to new and comparatively unimproved parts of the country secure and inexpensive. It has brought a considerable portion of the banking capital of the nation to the aid of the government, and has materially strengthened its credit. It has greatly assisted the government in funding its loans

and reducing the rate of interest thereon. For all these reasons the people should maintain it, as the best measure which has yet been devised for securing confidence in trade, and for promoting material prosperity.

It is not claimed that the national bank system is perfect. Theorists criticise it and point out defects in its operations. Writers on finance compare it with ideal systems and pronounce it imperfect. But judging it in a practical way from its results during the past fifteen years, and comparing it with previous experience, we have every reason to be well pleased with it. Banking in this country has been developed in a series of expensive lessons, and the excellencies of the national banking system are the products of these experiences.

Let us now take no step backwards. Let us not forfeit a single one of the advantages which we have gained. Let us listen to no demagogues who for purposes of agitation would lead us to take a leap in the dark. But let us maintain the good things which we have, until we can see clearly and conclusively how we can do better.

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